Supreme Court, U.
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No. 01-___

IN THE

Supreme Court of the United States

ASHOK TANKHA,

Petitioner,

v.

WYETH-AYERST LABORATORIES, INC., A DIVISION OF AMERICAN HOME PRODUCTS CORPORATION AND FRED HASSAN, PRESIDENT OF WYETH-AYERST LABORATORIES, INC., AND MARSAM PHARMACEUTICALS, INC., AND MARVIN SAMSON, PRESIDENT OF MARSAM PHARMACEUTICALS, INC.,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE SUPREME COURT OF PENNSYLVANIA

PETITION FOR WRIT OF CERTIORARI

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73 pp

QUESTIONS PRESENTED FOR REVIEW

Did the state courts of Pennsylvania, in the interest of protecting asserted "trade secrets," impinge upon federal patent law, and hence violate the Supremacy Clause of the United States Constitution, by an injunction against a former pharmaceutical worker barring the use of expired conjugated estrogen patents to make generic conjugated estrogens?

Did the state courts of Pennsylvania usurp federal patent policy by crediting a former patent holder's trial testimony that expired conjugated estrogen patents were ineffective in making conjugated estrogens and by permitting that former patent holder to recapture exclusive use of an off-patent process which supreme federal law placed in the public domain?

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CITATION TO OFFICIAL AND U[illegible]FICIAL REPORTS OF OPINIONS

The opinion of the Superior Court and two opinions of the trial court appear in the Appendix at 4a, 9a, and 37a, respectively. None of the opinions has been published.

STATEMENT OF THE BASIS OF JURISDICTION IN THIS COURT

The matter sought to be reviewed is the Order of the Pennsylvania Supreme Court entered on August 17, 2001, denying petitions for allowance of appeal filed by Ashok Tankha, Petitioner herein. That Order made final the March 7, 2001 judgment of the Superior Court of Pennsylvania which had affirmed judgment against Petitioner in the Court of Common Pleas of Delaware County as to Petitioner's cause of action at law and the decree granting a permanent injunction against him.

The Supreme Court of the United States is vested with jurisdiction of this timely petition pursuant to 28 U.S.C. §1257.

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

Article VI (Supremacy Clause) provides:

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

* * *

35 U.S.C. §112 provides in part:

> The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention....

* * *

35 U.S.C. §283 provides:

> The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

STATEMENT OF THE CASE

Ashok Tankha (hereinafter "Petitioner") is a registered professional engineer with over 25 years experience in the pharmaceutical industry. He was hired in 1989 by Wyeth-Ayerst Laboratories, Inc. (hereinafter "Wyeth"), a manufacturer and marketer of pharmaceuticals, to serve as a process project engineer at its facility in St. Davids, Delaware County, Pennsylvania. Petitioner had specialized training and education in his chosen occupation of chemical engineering in which he held a masters degree.

Petitioner was a non-contract, "at-will" employee under Pennsylvania law. In connection with his employment for Wyeth, he had not agreed to any covenant that restricted his right to compete with Wyeth after the period of employment ended. He merely signed an "Agreement Not to Compete" and a "Statement of Policies" stating that he would not engage in other work which is similar to, or competes with Wyeth's business while he was an employee. *See* 12a-13a (Finding of Fact Nos. 9 & 10).

After learning in 1991 that Petitioner had explored the possibility of manufacturing generic drugs, including generic

conjugated estrogens,[1] in the future, Wyeth not only summarily discharged him but also published among his co-workers a memorandum depicting him by innuendo as a perpetrator of industrial espionage. Petitioner contended this was done to make a chilling example of him to other non-contract employees who might likewise contemplate competing in the future with Wyeth in the off-patent marketplace.

Wyeth's Director of Security, an ex-Secret Service Agent, conducted an investigation of the matter and concluded that the allegations against Petitioner regarding misappropriation of trade secrets had no prosecutive merit or value. 52a - 53a. Nevertheless, this top security official testified, Wyeth's President "Fred Hassan said that Jack Stafford wanted this guy prosecuted and he said we need to make an example of this."[2] 53a. In furtherance of the instruction, this security official contacted the FBI to have Petitioner prosecuted for allegedly selling trade secrets; however, he did so only after advising his superiors at Wyeth that he did not see any basis for prosecution. 52a.

Wyeth's allegation of industrial espionage was indeed presented to the FBI for its independent investigation. Precisely as Wyeth's own security head expected, however, neither the FBI nor any other law enforcement authority ever found any basis for bringing charges of any kind, despite Wyeth's expressed desire for a criminal prosecution.

On February 14, 1992, Petitioner, having been discharged from his employment, filed a civil action in the Court of Common Pleas of Philadelphia County against Wyeth, its President Fred Hassan

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1. The Court is respectfully requested to take judicial notice that in general terms "Conjugated Estrogens" is a United States FDA approved drug, described in the U.S. PHARMACOPEIA (24th ed.) as: "[A] mixture of sodium estrone sulfate and sodium equilin sulfate, derived wholly or in part from equine urine or synthetically from Estrone and Equilin."

It is widely known that estrogen, the active ingredient in the brand name drug Premarin, has been used to alleviate menopausal symptoms in women.

2. Jack Stafford was the Chairman of the Board of American Home Corp., the holding company of Wyeth.

and other parties. That state law damages suit alleged, among other claims, defamation and false light.

Wyeth answered the Complaint on April 22, 1992, and included a Counterclaim against Petitioner demanding that the court permanently enjoin him from any future involvement of any kind with the conjugated estrogens product. Wyeth's Counterclaim, however, contained no request for immediate injunctive proceedings and relief. Indeed, in the approximately seven (7) years which elapsed between the filing of the Counterclaim and the state court trial, Wyeth had not sought preliminary injunctive relief.

Following a transfer of venue to Wyeth's home county, the suit came to trail in the Delaware County Court of Common Pleas on February 22, 1999. On March 2, 1999, a jury found that Petitioner had not met his burden as plaintiff and rendered a defense verdict for all the defendants remaining in the case at that time. Thereafter, on September 7, 1999, the trial court, in its independent capacity as trier of fact on Wyeth's equity Counterclaim, issued a "Verdict/ Order," 2a, and an Opinion, 9a, enjoining Petitioner broadly from ever again working during his lifetime in the field of conjugated estrogens. It is the scope of that decree, and the method of proof by which Wyeth persuasively secured it, that centrally concerns the present Petition.

The evidence at trial showed that in the late1940's and early 1950's Wyeth obtained patents for making conjugated estrogens marketed under the brand name Premarin.10a (Finding of Fact No. 2). These patents had expired long prior to the events giving rise to this case. Under federal patent law, of course, a patent must disclose how to make and use the patented product. 35 U.S.C. §112. Shielded by a protective order which limited Wyeth's duty to produce the documents delineating its asserted "trade secrets,"[3] Wyeth tried during the portion of the trial that was shared by law and equity to prove that the process for making conjugated estrogen was actually based on trade secrets alone. It presented expert

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3. Wyeth experts testified there was, for instance, a special tableting process for extending shelf life that was not part of any of its expired patents. See 14a (Findings of Fact No. 14).

testimony that nothing of importance had been disclosed in the expired patents it had previously obtained for making conjugated estrogens:

> Q. Okay, what percentage of this entire manufacturing process has ever been patented?
> A. [by Dr. Michael Dey] Of this – of the process that we use, **none of it.** [51a (emphasis added).]

The trial court credited this evidence and adopted Wyeth's proposed finding of fact, holding that the expired patents for conjugated estrogen "do not disclose any part of Wyeth's process for making Premarin." 21a (Finding of Fact No. 46).

To reinforce its trial evidence that the expired conjugated estrogen patents were in effect meaningless, Wyeth also introduced evidence, which again the trial court credited, that no other American company has ever been able to make and market successfully any generic equivalent of its conjugated estrogens. 11a-12a (Findings of Fact Nos. 4 & 5). This evidence was offered to show that Petitioner could not have been intending to use the expired patents, but must have been intending to misuse Wyeth's trade secrets to manufacture generic conjugated estrogens.

The state trial court not only enjoined Petitioner from using or disclosing "trade secret" information concerning Premarin, but it also permanently enjoined Petitioner for life "from, directly or indirectly, working on, participating in, consulting, or otherwise providing services, information, materials or other assistance for the development or manufacture of a generic version of Premarin **or any conjugated estrogens product.**" 2a (emphasis added).

On March 7, 2001, the Pennsylvania Superior Court affirmed both the judgment based on the jury verdict in Petitioner's action at law and the trial court's decree in equity. The conflict between federal patent law and the expansive scope given by the trial court to state law "trade secrets" was expressly raised to the Superior Court, as shown by that court's own recitation of the issues presented. 7a - 8a. Furthermore, Petitioner had pointedly argued this issue at some length in his Brief to the Superior Court, asserting for instance that the trial court's findings and decree had "breached the

bargain which the patent holder and the public struck as soon as a patent was granted, and [ ] put our state courts in the absolutely forbidden business of extending an expired patent and trespassing on preemptive federal policy." Brief for Appellant in Pennsylvania Superior Court at 43.

Following the Superior Court's decision against him, Petitioner pursued a discretionary appeal to the Pennsylvania Supreme Court. On August 17, 2001, that court exercised its discretion by denying the Petitioner's timely Petition for Allowance of Appeal. The issue of conflict between federal patent law and the trial court's elevation of state law "trade secrets" had been raised as the first and foremost issue presented and argued in that Petition. 54a (Questions Presented to Pennsylvania Supreme Court). After the August 17th Order made the Superior Court's judgment final under state law, this timely Petition to this Supreme Court of the United States followed.

It is respectfully contended that the state judgment left standing below permits subordination of federal patent law in favor of a former patent holder who succeeded in using "trade secret" defense strategy as a means to extend an expired patent monopoly.

ARGUMENT

THE TRIAL COURT VIOLATED THE SUPREMACY CLAUSE OF THE U.S. CONSTITUTION AND ACTED IN CONFLICT WITH FEDERAL PATENT LAW AND EXCLUSIVE FEDERAL PATENT JURISDICTION BY ENJOINING PETITIONER FROM MAKING GENERIC CONJUGATED ESTROGENS USING INFORMATION DISCLOSED IN WYETH'S EXPIRED CONJUGATED ESTROGEN PATENTS

The courts of Pennsylvania in this case have countenanced a sweeping injunction forbidding Petitioner from ever again during his lifetime working with "any conjugated estrogens product." In reaching so far to protect asserted "trade secrets" under state law, this injunction openly conflicts with established federal law and policy which gives to the public domain all expired patents, in this

case specifically the expired patents for making conjugated estrogens.

In the 1940's and 1950's, as stated above, Wyeth obtained patents for the manufacture of conjugated estrogens (trade name "Premarin").[4] Patent law required, of course, that the patents had to disclose "in such full, clear, concise and exact terms . . ." the manner and process of making and using the conjugated estrogens. 35 U.S.C. §112. As soon as the patent period expired, Petitioner and every other person in the world became free to make and use conjugated estrogens from the process disclosed in the expired conjugated estrogen patents. It is a matter of the clearest federal statutory law that any patent for conjugated estrogens, or for anything else, must

> contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise and exact terms so as to enable any person skilled in the art to which it pertains, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention. [35 U.S.C. §112]

The time-limited patent is the trade-off for enjoying the limited patent monopoly.

It is undisputed that Wyeth once held patents for conjugated estrogens (trade name "Premarin") and that the patents' seventeen-year monopoly has long since expired. It is likewise undisputed that the scope of the injunction issued by the trial court, and upheld by the Superior Court, includes forbidding Petitioner from ever having any involvement with the product described in the expired Wyeth patents. Indeed, the trial court's opinion (and the Superior Court's wholesale adoption of it) display an alarming usurpation of federal authority when the undisputed facts and clear federal law are considered together.

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4. It is respectfully offered for this Honorable Court's judicial notice that other companies, such as Squibb Co., also obtained United States patents on conjugated estrogens. (Nos. 2,565,115 an; 2,720,483).

In rejecting all of Petitioner's arguments that the injunction in any way curtails federal rights to use expired patents for making conjugated estrogens, the trial court gave the following reasons: "Defendant Wyeth does not even contend that the information plaintiff has placed at risk was disclosed in any patent. Indeed, Wyeth established at trial the exact opposite: that it neither included the information necessary to manufacture Premarin in any patent, nor was it ever required to do so." 48a - 48a.

Although federal law has always required that patents must disclose the process and manner for making the patented product (here conjugated estrogens), the trial court embraced Wyeth's argument that the patents Wyeth held for conjugated estrogen (Premarin) never disclosed a means to make Premarin. This rendered the delivery of the expired patents to the public domain years ago an empty exchange for the seventeen-year federal grants of patent monopoly that Wyeth enjoyed. Furthermore, even after pronouncing the patents unfit for the manufacture and use of conjugated estrogens, the state trial court issued an injunction that nevertheless bars by its all-inclusiveness any attempt to use those supposedly ineffective expired patents. The only way logically to explain the state court ruling is that the "trade secrets" asserted by Wyeth trumped the expired patents on conjugated estrogens and that a sacrifice of the old patent was warranted for the trade secret's sake.

This Honorable Court has echoed time and again that state law "trade secret" protections that in any way impair the free use of expired patents are preempted by federal patent law. *E.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989).

The grant of a patent precludes the patentee from ever claiming either that manufacture of the product disclosed in the patent is protected by trade secrets, or that trade secrets are required to make the product disclosed in the patent. This principle has been affirmed repeatedly by this Honorable Court. In *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933), this Supreme Court held that upon the expiration of the seventeen-year patent-protected period, "the knowledge of the invention enures to the

people, who are thus enabled without restriction, to practice and profit by its use."

In *Kewanee Oil Co v. Bicron Corp.*, 416 U.S. 470 (1974), this Supreme Court recognized that trade secret law and patent law can exist side by side, but that trade secret law can never preempt federal patent law. "States may hold diverse viewpoints in protecting intellectual property to invention. . . . The only limitation on the States is that in regulating the area of patents and copyrights they do not conflict with the operation of the laws in this area passed by Congress. . . ." *Id.* at 479.[5] Indeed, until the present decision, the Pennsylvania courts have dutifully observed the preemptive effect of federal patent law. In *Felmlee v. Lockett*, 466 Pa. 1, 11, 351 A.2d 273, 278 (1976), the court held that "[t]he result of this section [35 U.S.C. §112] and the very nature of the patent publication have been consistently held to work a destruction of any trade secret disclosed therein."

The trial court in the present case did not even deny that a direct conflict existed between its all-inclusive injunction and federal patent law guarantees. Instead, it justified any intrusion upon the federally protected domain because putting aside what it

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5. Under preemptive federal patent law, the right to make a product that has come off-patent after the expiration of a seventeen-year monopoly cannot thereafter be restricted through any state law means. As explained by the Sixth Circuit in *Boggild v. Kenner Products*, 776 F.2d 1315 (6th Cir. 1985), *cert. denied*, 477 U.S. 908 (1986):

> The extensive social and economic consequences of the patent give the public a paramount interest in seeing that patent monopolies are kept within their legitimate scope. *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816, 65 S. Ct. 993, 998, 89 L.Ed. 1381 (1945). Hence efforts to extend or reserve the patent monopoly beyond the seventeen years contravene the policy and purpose of patent laws. *Scott Paper Co.*, 326 U.S. at 255-56.

This is not a novel point nor is it subject to dispute. It is expressed concisely in the United States Supreme Court in *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249 (1945). The bargain for obtaining a patent monopoly for 17 years, *see* 35 U.S.C. §154, is giving the patent to the public without any hint of reservation or restriction whatsoever once that patent has expired. No state law may ever conflict with, jeopardize or restrict any part of the public's right to that specific exchange. It is absolute.

determined were ineffective expired patents would help protect the asserted "trade secrets" that Wyeth claimed to have developed after the patents expired. In the trial court's words, "The Court, considering all the evidence, correctly decided that a permanent production injunction was necessary to protect Wyeth's interests in the confidential, proprietary and trade secret information in its Premarin manufacturing process that Plaintiff had learned during his employment." 46a.

It is upon this rationale that the state courts of Pennsylvania have enjoined the exercise of a federal patent-law right to use expired patents – to advance what were obviously perceived to be more important state law "trade secret" interests. The state courts thus turned the Supremacy Clause upside down and intruded upon preemptive federal law and exclusive federal jurisdiction.

This Honorable Court has emphasized the supremacy of the federal patent law and policy whenever any conflict of any kind has arisen. In *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989), a unanimous Court explained the supreme federal interest to which states must always defer and which states may never even indirectly evade:

> We have long held that after the expiration of a federal patent, the subject matter of the patent passes to the free use of the public as a matter of federal law. See *Coats v. Merrick Thread Co.*, 149 U.S. 562, 572, 13 S.Ct. 966, 969, 37 L.Ed. 847 (1893) ("[P]laintiffs' right to the use of the embossed periphery expired with their patent, and the public had the same right to make use of it as if it had never been patented"); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 59 S.Ct. 109, 83 L.Ed. 73 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 16 S.Ct. 1002, 41 L.Ed. 118 (1896). **Where the public has paid the congressionally mandated price for disclosure, the States may not render the exchange fruitless by offering patent-like protection to the subject matter of the expired patent. "It is self-evident that on the expiration of a patent the monopoly created by it ceases to exist, and the right to make the**

> **thing formerly covered by the patent becomes public property."** *Singer*, supra, at 185, 16 S.Ct., at 1008. [Emphasis added].

So dominant and unyielding is federal control over all aspects of patent law (including the rights granted to the public upon the expiration of a patent) that this Court did not stop in *Bonito* with this statement of traditional federal law, but went even further, holding unanimously that a Florida statute which barred *some* (but not all) means of reproducing even unpatented boat designs still violated the Supremacy Clause of the U.S. Constitution. Noting that the particular hull design at issue in *Bonito* had been exposed to the public for six years, the Court explained broadly that "it stands in the same stead as an item for which a patent has expired. . . ." *Id.* at 159.

The reach of the federal interest in patents was thus held to be so dominating as to preempt a state from giving extra trade protection to unpatented designs. This was done by analogizing that circumstance to an expired patent. The high Court in *Bonito* explained its reasoning quite simply: "Through the creation of patent-like rights, the States could essentially redirect inventive efforts away from the careful criteria of patentability developed by Congress over the last 200 years." *Id.* at 157.

In the present case, the state courts have brought about a direct conflict with the federally created public property rights in Wyeth's expired conjugated estrogens ("Premarin") patents. In effect, this breached the "bargain" which the patent holder and the federal government struck when the patent was granted, and it put our state courts into the forbidden zone of extending an expired patent beyond its years and trespassing on preemptive federal policy. [6] This in turn assaulted the public's interest in the totally unfettered

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6. The powerful policy declarations of the Court in *Bonito Boats* were, of course, not in any way limited to boat construction cases. Indeed, the Court's discussion spanned the history of federal patent law and the full range of patents. In elaborating on the elements of the bargain struck when a patent has been extended the Court commented that "[r]everse engineering of chemical and mechanical articles in the public domain often leads to significant advances in technology." *Id.* at 160.

and free economic use of expired patents as determined and declared by supreme federal law.

Section 283 of 35 U.S.C. (1988), expressly addresses, and within limits permits, injunctions "in accordance with the principles of equity" in cases affecting patents. This statute does not allow state law injunctions to shadow or otherwise trespass on this area, which is completely and exclusively occupied by federal law and policy. As stated in *Kearns v. Chrysler Corp.*, 32 F.3d 1541 (Fed. Cir. 1994),

> §283 relief is available only to "prevent the violations of any right secured by patent." Thus, **when the rights secured by a patent are no longer protectable by virtue of expiration or unenforceability, entitlement to injunctive relief becomes moot** because such relief is no longer available. *See Illinois Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 681, 15 USPQ2d 1307, 1308 (Fed.Cir.1990). [Emphasis added]

In venturing inside the zone of federally protected rights relating to patents and fashioning an intrusive state injunction based on the purported need to protect trade secrets, the Pennsylvania courts made §283 a dead letter and made state interest in purported "trade secrets" supreme. In so doing, they afforded Wyeth all of the *benefits* of the patent bargain Wyeth struck with the public under federal law when it enjoyed a patent monopoly for its once fledgling product. But the state courts absolved Wyeth of its federal *responsibility* by giving extra, anti-competitive protection for the expired patents through the injunction directed against Petitioner.

The trial court and Superior Court could at least have followed the simple course of *Kubrik, Inc. v. Hull*, 56 Mich. App. 335, 224 N.W.2d 80 (1974), in which an injunction against an employee was barred, and matters found to have been entrusted to the public domain were deemed excluded from any definition of "trade secret." However, by embracing Wyeth's trial strategy of diminishing expired patents in order to extend a monopoly through state law "trade secrets" Pennsylvania took an opposite course.

Without jurisdiction the state courts invaded the public's federally guaranteed interest in an expired federal patent.

In combination with discovery protections that disabled Petitioner from truly challenging Wyeth's broad claims that Premarin is based one hundred percent on trade secrets only, the Pennsylvania courts allowed Petitioner to be caught in a whipsaw. Petitioner relied on guaranteed federal rights, but the state courts usurped those rights in order better to protect alleged trade secrets. The courts of Pennsylvania thus accepted the evidence of a former patent holder, whose self-interest in the state forum is to understate the efficacy of expired patents, and allowed trade secrets to take center stage in limiting off-patent production after the patent monopoly has ended.

Not only is the injunction against Petitioner in conflict with supreme federal law and policy, but the state court lacked jurisdiction and power under 35 U.S.C. §283 to issue any injunctive relief affecting the exercise of a federally granted right.

CONCLUSION

Respect for the supremacy of federal patent law, the necessity to curtail strategies that may compromise the public's right to expired patents, and the great importance to the public of the free manufacture of off-patent generic drugs, all strongly warrant the exercise by this Honorable Court of its certiorari jurisdiction.

WHEREFORE, Petitioner respectfully requests that this Honorable Court grant Petitioner a writ of certiorari to the Supreme Court of Pennsylvania.

Respectfully submitted,

WILLIAM P. MURPHY, ESQ.
Counsel of Record for Petitioner

Above-named counsel is a member in good standing of the Bar of the Supreme Court of the United States.

Dated: November 15, 2001

APPENDIX

TEXT OF ORDERS IN QUESTION

PENNSYLVANIA SUPREME COURT

ORDER

PER CURIAM

AND NOW, this 17th day of August 2001, the petitions for allowance of appeal are denied.

SHIRLEY BAILEY
CHIEF CLERK

* * *

PENNSYLVANIA SUPERIOR COURT

Judgment Entered. [Affirming trial court as shown on Memorandum which appears in the Appendix hereto]

Prothonotary

Date: Mar – 7 2001

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TRIAL COURT

ORDER

AND NOW this 26th day of January, 2000 upon consideration plaintiff Ashok Tankha's motion for post-trial relief on his action at law against defendants Wyeth Laboratories, Inc. (incorrectly named in the Complaint as Wyeth-Ayerst Laboratories, Inc. A Division of American Home Products Corporation), and defendants' response thereto, it is hereby ORDERED that said motion is DENIED.

BY THE COURT:

/S/ KENNETH A. CLOUSE, J.
KENNETH A. CLOUSE, J.

ORDER

AND NOW this 26th day of January, 2000 upon consideration plaintiff Ashok Tankha's motion for post-trial relief from the Order dated September 7, 1999 granting a permanent injunction on the counterclaim of Wyeth Laboratories, Inc. (incorrectly named in the Complaint as Wyeth-Ayerst Laboratories, Inc. A Division of American Home Products Corporation), and response thereto, it is hereby ORDERED that said motion is DENIED and said order is hereby made FINAL.

BY THE COURT:

/S/ KENNETH A. CLOUSE, J.
KENNETH A. CLOUSE, J.

The Order of September 7, 1999 referenced in the above Order, reads as follows:

VERDICT/ORDER

The Court hereby finds in favor of Counterclaim Plaintiff Wyeth-Ayerst Laboratories and against Counterclaim Defendant Ashok Tankha.

It is hereby ORDERED that Plaintiff Ashok Tankha, and anyone acting in concert or participation with him, is permanently enjoined from directly or indirectly, using or disclosing, any of Wyeth's information or that of its parent(s), subsidiaries, affiliated companies, divisions, successors or assigns that reflects, refers or relates to any aspect of the production or manufacture of Premarin or any related conjugated estrogens product.

It Is further ORDERED that Plaintiff Ashok Tankha is permanently enjoined from, directly or indirectly, working on, participating in, consulting, or otherwise providing services, information, materials or other assistance for the development or manufacture of a generic version of Premarin or any conjugated estrogens product.

It Is further ORDERED that this Court shall retain Jurisdiction for purposes of enforcement of this Order on the Counterclaim of Wyeth Laboratories, Inc.

BY THE COURT:

/S/ KENNETH A. CLOUSE, J.
KENNETH A. CLOUSE, J.

IN THE SUPERIOR COURT OF PENNSYLVANIA

ASHOK TANKHA,	:	
Appellant	:	
v.	:	
WYETH-AYERST LABORATORIES, INC., A DIVISION OF AMERICAN HOME PRODUCTS CORPORATION, FRED HASSAN, PRESIDENT OF WYETH AYERST LABORATORIES, INC., AND MARSAM PHARMACEUTICALS, INC., AND MARVIN SAMSON, PRESIDENT OF MARSAM PHARMACEUTICALS, INC.,	:	
Appellees	:	
v.	:	
ASHOK TANKHA,	:	Nos. 699 & 700
Appellant	:	EDA 2000

Appeal from the Judgment entered May 17, 2000 in the Court of Common Pleas of Delaware County, Civil Division, at No. 94-010711.

BEFORE: KELLY, LALLY-GREEN, and HESTER, JJ.

MEMORANDUM:

FILED MARCH 7, 2001

Appellant, Ashok Tankha, appeals the judgment entered in the Court of Common Pleas of Delaware County following the denial of Appellant's motion for post-trial relief and the entry of a decree granting a permanent injunction in favor of Appellee Wyeth-Ayerst Laboratories, Inc. ("Wyeth"). We affirm.

The facts of the case, as presented in the trial court opinion, are as follows:

Plaintiff Ashtok Tankha filed a Complaint against Defendants Wyeth-Ayerst Laboratories, Inc., Fred Hassan, Marsam Pharma-

ceuticals and Marvin Samson for damages for alleged defamation, false light, tortious interference with contractual relations, disparagement, conspiracy, breach of fiduciary duty and misrepresentation, intentional infliction of emotional distress, breach of contract and promissory estoppel. Defendant Wyeth filed a Counterclaim against Plaintiff for alleged breach of contract, misappropriation of trade secrets, and improper procurement of confidential and proprietary [sic] seeking to permanently enjoin Plaintiff from directly or indirectly engaging in the business of manufacturing any conjugated estrogens product and from disclosing to anyone outside Wyeth, information, documents or other materials which refer, reflect or relate to the development or manufacture of conjugated estrogens.[1]

A Jury Trial[2] was held before the Honorable Kenneth A. Clouse, solely on Plaintiff's claim for damages,[3] on February 22, 23 and 24, and March 1 and 2, 1999. The Jury returned a Verdict in favor of Defendants Hassan and Wyeth.[4]

In April, 1999, Defendant Wyeth filed Proposed Findings of Fact and Conclusions of Law with respect to its Counterclaim. Thereafter, Plaintiff Tankha filed counter requests for Findings of Fact and Conclusions of Law, along with a Motion for Compulsory Non-Suit or Dismissal and to Strike. By Order dated July 9, 1999, the Court denied Plaintiffs Motion for Compulsory Non-Suit.

On September 7, 1999, the court issued an Order/Verdict and Opinion finding in favor of Counterclaim Plaintiff Wyeth-Ayerst Laboratories and against Counterclaim Defendant Ashok Tankha.

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1. The Complaint was originally filed in Philadelphia County on February 14, 1992 and later transferred to Delaware County upon the granting of Petition to Transfer of Venue.

2. Plaintiff proceeded to trial solely on Count I (Defamation) of his Complaint, having withdrawn all other counts prior to that time.

3. Immediately prior to the commencement of trial on February 22, 1999, the Court ruled that the trial would proceed solely on Plaintiff Tankha's case and Defendants' defenses thereto. The Court further stated that at the conclusion of the trial, it would rule on Wyeth's Counterclaim based on all the evidence admitted and take additional evidence, if necessary.

4. Directed Verdicts were entered in favor of Defendants Marvin Samson and Marsam Pharmaceuticals on February 24, 1999.

The Court ordered that Plaintiff, and anyone acting in concert or participation with him, is permanently enjoined from directly or indirectly, using or disclosing, any of Wyeth's information or that of its parent(s), subsidiaries, affiliated companies, divisions, successors or assigns that reflects, refer or relates to any aspect of the production or manufacture of Premarin or any related conjugated estrogens product. The Court further ordered that Plaintiff is permanently enjoined from, directly or indirectly, working on, participating in, consulting, or otherwise providing services, information, materials or other assistance for the development or manufacture of a generic version of Premarin, or any conjugated estrogens product.[5]

Thereafter, following the conclusion of the bifurcated trial, Plaintiff filed a Motion for Post-Trial Relief seeking a new trial, judgment notwithstanding the Verdict and alternate relief.[6] Defendants filed a response thereto, and memoranda of law were submitted by the parties pursuant to a briefing schedule set forth in the Court's October 28, 1999 Order. By Order dated January 26, 2000, the Court denied Plaintiff's Motion for Post-Trial Relief. The Court, on the same date, entered a final decree granting a permanent injunction on the Counterclaim of Defendant Wyeth.

Plaintiff has now filed a Notice of Appeal with the Superior court of Pennsylvania.

Trial Court Opinion, 5/16/2000, at 1-4.

Appellant presents the following issues for our review:

1. Whether the trial court sitting in equity erred, abused its discretion and denied appellant Tankha a fair trial by including in its adoption of Wyeth's proposed findings specific findings that certain documents allegedly contained trade secrets had been found **"hidden in back of"** a file drawer in Tankha's office, whereas in

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5. The Court, by Order dated September 14, 1999, amended its Opinion dated September 7, 1999,

6. Defendants entered Judgment on the Jury's Verdict and the Directed Verdict on September 14, 1999; Plaintiff contends that same was premature in that the court had just issued its Order/Verdict on Defendants' Counterclaim on September 7, 1999.

fact such highly specific, charged and prejudicial finding was unsupported by evidence in the trial record.

2. Whether the trial court erred, abused its discretion and denied Tankha a fair trial in equity and at law by denying Tankha's spoliation motion and allowing defendants to use pieces it extracted from a file found in the office used by Tankha so as to create a highly prejudicial inference that Tankha had wrongfully gathered those particular documents – notwithstanding that Wyeth had intentionally destroyed the rest of the file found, thus eradicating the original context of the selected documents and profoundly prejudicing Tankha's ability to rebut the prejudicial inference.

3. Whether the trial court erred, abused its discretion and denied Tankha a fair trial in equity by inferring without adequate or competent evidence that Tankha had wrongfully gathered the "Premarin" documents selectively extracted and preserved by Wyeth from the file found in the office he used – despite, *inter alia*, the Wyeth security chief's testimony that the file cabinet and office were accessible to others, the security chief's testimony that access to such documents had not even been truly restricted, and the inherently suspicious destruction by Wyeth of a significant quantity of the true and complete file.

4. Whether the trial court erred, abused its discretion, and denied Tankha a fair trial by reversing an order of a coordinate jurist who had been reassigned, after Wyeth's attempts to obtain a reversal of that order in the Pennsylvania appellate courts had been rejected, thereby violating law of the case and limits on coordinate jurisdiction, wrongly denying Tankha discovery pertinent to a critical issue both in law and equity, and allowing defendants to define unilaterally their own "trade secret" privilege for Premarin without any fair means to answer or cross-examine.

5. Whether the trial court erred, abused its discretion in equity and exceeded its rightful jurisdiction by issuing an overbroad permanent injunction which precludes Tankha even from using an expired federal patent on conjugated estrogen, thus giving Wyeth's asserted "trade secrets" supremacy over exclusive federal patent law which affords the public a federal right to freely use an expired

patent as an absolute condition for the seventeen year monopoly that patent had conferred.

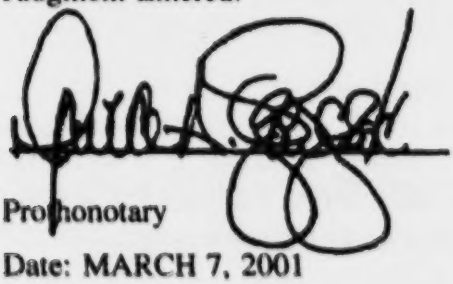
6. Whether the trial court erred and abused its discretion in equity by unnecessarily ordering the broadest permanent injunction known to have issued against an at-will in Pennsylvania, without due regard for any acknowledgement of the inalienable sate and federal constitutional right a worker possesses to determine his or her future career and pursue his or her livelihood.

Appellant's Brief at 5-6 (emphasis original).

We have reviewed the record, the briefs of the parties, the relevant law, and the well-reasoned opinion of the Honorable Kenneth A. Clouse dated May 16, 2000. The opinion of Judge Clouse, in addition to the opinion dated September 7, 1999 and incorporated therein, adequately and accurately disposes of the issues raised by Appellant. Accordingly, we affirm the judgment on the basis of the May 16, 2000 opinion.

Judgment affirmed.

Judgment Entered.



Prothonotary

Date: MARCH 7, 2001

IN THE COURT OF COMMON PLEAS OF DELAWARE COUNTY, PENNSYLVANIA

CIVIL ACTION – LAW

ASHOK TANKHA,	:	No. 94-10711
v.	:	
WYETH-AYERST LABORATORIES, INC., A Division of American Home Products Corporation and FRED HASSAN, President of Wyeth-Ayerst Laboratories, Inc. and MARSAM PHARMACEUTICALS, INC. and MARVIN SAMSON, President of Marsam Pharmaceuticals, Inc.	:	

Garland D. Cherry, Sr., Esquire, Counsel for Plaintiff
William P. Murphy, Esquire, Counsel for Plaintiff
Murray S. Levin Esquire, Counsel for Defendants
Vincent Carissimi, Esquire, Counsel for Defendants

OPINION

CLOUSE, J. DATE: 9/7/99

A stipulated trial was held on Defendant Wyeth Laboratories, Inc.'s counterclaim wherein it seeks to permanently enjoin Plaintiff Tankha from engaging in the business of manufacturing any conjugated estrogen products and from disclosing to anyone outside Wyeth information, documents or other materials which relate in any way to the development or manufacture of Premarin or any related conjugated estrogen product.

The Court hereby incorporates the transcript of the Jury Trial held on Plaintiff's claims in this matter on February 22, 23, 24, 1999 and March 1 and 2, 1999 and Exhibits P-1 through P-5, D-4 and D-5, D-10, D-22A, D-22B, D-29, D-33, D-34, D-48, D-58, D-63, D-70, D-88, D-90, D-233A, D-233B, D-233C, D-234, and D-237, admitted into evidence therein; and the depositions of Asha

Katju, Ashok Tankha, Charles Knott, Denise Lee Tester and Aris Christodoulou taken in this matter.

In connection with this matter, the Court makes the following Findings of Fact and Conclusions of Law:

Findings of Fact

Wyeth's Premarin Manufacturing Process: A Highly Protected Trade Secret

1. The Court finds Dr. Michael Dey, President of Wyeth's ESI Lederle Division who holds a Ph.D. in Pharmacology and Toxicology, credible when he testified that Wyeth Laboratories, Inc. (incorrectly named in the Complaint as Wyeth-Ayerst Laboratories, Inc. A Division of American Home Products Corporation) is the manufacturer of Premarin, a drug used to treat menopausal symptoms in women and the most-prescribed pharmaceutical in the United States today. The active ingredient of the drug, conjugated estrogens, is extracted from hormones that naturally occur in the urine of pregnant horses (pregnant mares' urine or "PMU"). [3/1/99 Dey T80][1].

2. The Court finds Dr. Dey and Ralph Boardman, Plant Manager at Wyeth's Rouses Point, New York Facility, credible when they testified that Wyeth manufactures Premarin using a proprietary and secret formula or process that it and its predecessor companies have developed over the course of more than fifty (50) years; that although several expired patents dated in the 1940's and 1950's set forth various methods of extracting estrogens from PMU, none identifies the process Wyeth uses to perform either its extraction functions or the hundreds of other steps that comprise the remaining ninety (90%) percent of Wyeth's Premarin manufacturing process; and that although the patents set forth a method of obtaining a substance containing estrogens, none identifies a process for duplicating Premarin, or even any part of Wyeth's Premarin manufacturing process. [3/1/99 Dey T80-85, 86-88; 2/24/99 Boardman T231-37].

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1. "3/1/99 Dey T80" indicates that Dr. Michael Dey gave the cited testimony and the testimony appears at page 80 of the transcript from the trial held on March 1, 1999. All citations to the testimony given at the five (5) days of trial held on February 22, 23 and 24 and March 1 and 2, 1999 are set forth in this format.

3. The Court finds Dr. Dey and Mr. Boardman credible when they testified that in addition to the effort and cost of developing the Premarin manufacturing process, Wyeth has also expended substantial efforts and costs to protect the process from disclosure to outsiders. The Court further finds Dr. Dey and Mr. Boardman credible when they testified that Wyeth has taken the following steps for many years: required employees to execute confidentiality agreements protecting information conveyed in the course of their employment; kept documents setting forth manufacturing procedures for Premarin under lock and key; inventoried Premarin manufacturing documents and monitored their use by employees; had a security program in which security personnel guarded Wyeth facilities around the clock, monitored cameras located throughout the facilities, and conducted random searches of employees and their belongings and required visitors to manufacturing facilities to be escorted; and that Wyeth also compartmentalizes the Premarin manufacturing process, so that all employees assigned job responsibilities relating to Premarin know only that portion of the process relating to their specific tasks. [2/24/99 Boardman T240-44, 251; 3/1/99 Dey T88-89, 101-02; 3/1/99 Dey T89].

4. The Court finds Dr. Dey credible when he testified that Wyeth's efforts to protect the secrecy and proprietary nature of its Premarin manufacturing process have been highly successful, in that, to date, no other company has been able to produce a generic version of the drug. [3/1/99 Dey T97-98]. By contrast with each and every other top selling prescription pharmaceutical such as Tagamet or Valium, not a single FDA-approved generic substitute for Premarin exists today [3/1/99 Dey T98]; this remains true despite the expiration more than thirty (30) years ago of the aforementioned extraction patents. The Court finds Fred Hassan, President of Wyeth-Ayerst Laboratories, Inc., credible when he testified that Premarin accounted for more than $500 million in annual sales for Wyeth as of 1991 and accounts for more than $1 billion in annual sales for Wyeth today. [2/23/99 Hassan T185-87].

5. The Court further finds Dr. Dey credible when he testified that Premarin's one-of-a-kind status does not mean there are no products containing estrogens on the market; that various companies have undertaken the enormous effort and expense

necessary to satisfy all of the many testing and other requirements to achieve FDA approval to market their own synthetically-derived estrogen products for the products' own specified uses [3/1/99 Dey T96-97, 99-100]; but that no company has developed a product that qualifies as an FDA-approved generic substitute for Premarin derived from PMU[2]. [3/1/99 Dey T99-100].

Plaintiff Tankha's Contractual Obligations to Wyeth and His Procurement of Wyeth's Trade Secret and Confidential Information

6. The Court finds Plaintiff Tankha credible when he testified that on March 7, 1989, Wyeth hired Plaintiff, who had a Masters Degree in Chemical Engineering, [Def. Exh. 4], as a "process project engineer" in its Central Engineering Group in Radnor, Pennsylvania. [2/23/99 Tankha T200].

7. The Court further finds Plaintiff Tankha credible when he testified that he was a trained and licensed patent attorney and a member of the Bar of South Carolina as of the date he began work for Wyeth. [2/24/99 Tankha T7].

8. The Court finds Plaintiff Tankha credible when he testified that on the first day of his Wyeth employment, March 7, 1989, he signed two written agreements: an Agreement Not to Compete and Wyeth's Statement of Policies ("Statement of Policies Agreement"). Plaintiff Tankha signed a second Statement of Policies Agreement on August 15, 1989. [Def. Exh. 22A, 22B and 29; 2/24/99 Tankha T15-17, 27-30, 103-04].

9. The Court finds that in the Agreement Not To Compete signed on March 7, 1989, Plaintiff agreed, inter alia, as follows:

> (a) While (Tankha) is employed with Wyeth he/she will not engage in any other work which is similar to, or competes with its business.

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2. The application for FDA approval of a generic substitute would fall under the FDA's less time consuming, less expensive and more streamlined "Abbreviated New Drug Application" regulations, whereas the application for FDA approval of a new drug other than a substitute would have to meet the more exacting and expensive requirements of the FDA's regular "New Drug Application" regulations. *See generally*, 21 U.S.C. §355(a) & (b).

(b) (Tankha) will not disclose to another any data or information acquired through his/her employment with Wyeth, and will not use such for his/her benefit.

* * * *

(c) All products, processes, machinery and apparatus, and uses thereof, which are developed, improved, discovered, or invented by (Tankha) during the term of his/her employment by Wyeth and which are in the opinion of Wyeth, useful in or to its business, shall become its sole property.

(d) (Tankha) will immediately disclose to Wyeth any such developments, improvements, discoveries or inventions that he/she may make solely, or in concert with others, during his/her term of employment with Wyeth, or within a period of one year after the termination of such employment.

[Def. Exh. 22B, Paragraphs 1, 2, 4 and 5]

10. The Court finds that Plaintiff Tankha agreed, in the August, 1989 Statement of Policies Agreement signed on August 15, 1989, not to violate the policies set forth therein, [*See* Def. Exh. 29, p. 4] which agreement provided, *inter alia*, that the following are either prohibited or require authorization in writing from the Company.

(a) The holding by the employee of any position as director, officer or employee of any Company competitor....;

(b) The holding by the employee of any position in any commercial enterprise which would interfere with performance of the employee's duties in the Company....;

(c) Disclosure during an employee's term of employment with the Company and thereafter of any of the Company's confidential business information and trade secrets, such as financial data, formulae, processes, advertising methods, or prospective transactions, to any other person, firm or corporation except when such disclosure has been specifically authorized, in writing, by management;

(d) The use, directly or indirectly, of confidential business information during an employee's term of employment and thereafter for his or her personal benefit or for the benefit of his or her immediate family or any other person, firm or

corporation or conversely, the use of such information by the employees to the detriment of the Company.

[Def. Exh. 29, "Conflict of Interest" Section, pps. 3-4, paragraphs 2,5]

11. The Court finds Plaintiff Tankha credible when he testified that prior to his employment at Wyeth, he had never performed any work related to any conjugated estrogens product. [2/24/99 Tankha T31,32].

12. The Court further finds Plaintiff credible when he testified that as a result of his position as a trusted professional employee, and as a result of the employment agreements he signed, Wyeth provided Plaintiff access to proprietary, confidential and trade secret information relating to its Premarin manufacturing process and gave Plaintiff access to facilities where Premarin manufacturing steps were undertaken. [2/24/99 Tankha T10].

13. The Court further finds Plaintiff credible when he testified that although he was based in Radnor, Pennsylvania throughout his tenure at Wyeth, from the beginning of his employment and continuing for approximately one and one-half 1-1/2 years, he was assigned to work on various aspects of Wyeth's Premarin manufacturing process carried out at the Company's Brandon, Manitoba, Canada facility [2/23/99 Tankha T200-01: 2/24/99 Tankha T10]; that during that period, Plaintiff Tankha would travel to Brandon for work during most of the week and return to Pennsylvania for brief periods and for the weekends; and that Plaintiff had an office in Brandon and an office in Radnor during that time. [2/23/99 Tankha T200-04].

14. The Court finds Mr. Boardman, Mr. Owens and Plaintiff Tankha credible when they testified that when the Brandon assignment was completed, Plaintiff Tankha was assigned to work on the "tank farm project" at Wyeth's Rouses Point, New York facility [2/24/99 Boardman T223-24] and that the tableting portion of the Premarin manufacturing process was also carried out at Rouses Point in a building approximately one-half (1/2) mile away from the building where the tank farm project was located. [2/24/99 Boardman T223; 2/24/99 Tankha T10, 32; 2/24/99 Owens T208-09].

15. The Court finds Plaintiff Tankha credible when he testified that he was also at Wyeth's Montreal facility during his employment, where some Premarin manufacturing steps are carried out. [2/24/99 Tankha T10-11].

16. The Court finds Plaintiff Tankha credible when he testified that he understood that all of the information he received relating to the manufacture of Premarin was confidential and proprietary and should not be made available to anyone outside the Company [2/24/99 Tankha T11-12]; and that he learned Wyeth's proprietary, confidential and trade secret process for manufacturing the active ingredient for Premarin. [Tankha Deposition at 172-74, 177].

Plaintiff Tankha's Creation and Pursuit of a Plan
To Benefit from Wyeth's Information

17. The Court finds Plaintiff credible when he testified that in 1991, while still employed by Defendant Wyeth, he devised a plan to launch his own company to manufacture a generic version of Premarin. [2/24/99 Tankha T35-36]. The Court finds Asha Katju, Plaintiff's sister, credible when she testified that Plaintiff decided on the plan at least as early as January or February of 1991. [3/1/99 Katju T138]. At that time, Plaintiff, nevertheless, continued to work for Defendant Wyeth and to have access to confidential and proprietary information concerning Wyeth's manufacture of Premarin.

18. The Court finds Plaintiff's co-worker and friend, Rick Stager, credible when he testified that in or around August, 1991, Tankha discussed with him his plan to launch his own company to manufacture a generic version of Premarin. In the course of these discussions, Plaintiff told Mr. Stager that he knew Wyeth's process for making the drug. [2/22/99 Stager T175-78].

19. The Court finds Plaintiff and Mr. Baldwin, an attorney, credible when they testified that in late August, 1991, Plaintiff contracted with securities broker, Dana H. Stewardson, to get help in acquiring capital to support his plan to launch his own company to manufacture a generic version of Premarin. [Plaintiff's Exh. 1]. Mr. Stewardson signed a letter agreement (the "financial agency agreement") dated September 3, 1991, which provided that Mr. Stewardson would use his "best efforts to obtain financing for the

manufacture of 'the drug'" in exchange for the promise of commissions on any amount of financing Mr. Stewardson secured. In addition, the financial agency agreement recited Plaintiff's representation that he possessed the "knowledge required for the design, construction and operation of the facility". [Plaintiffs Exh. 1; 2/22/99 Baldwin T187, 193-94, 208; 2/24/99 Tankha T107].

20. The Court finds Marvin Samson, the president of the generic pharmaceutical company, Marsam Pharmaceuticals, credible when he testified that Mr. Stewardson, in his capacity as Plaintiff's agent, arranged for Plaintiff to meet with him to discuss Marsam's possible interest in investing in and/or participating in the venture to manufacture generic Premarin; that Mr. Stewardson told him in his initial call to request the meeting that he had a friend with a product in which Marsam might be interested [2/23/99 Samson T34; 3/1/99 Samson T134-35], and that Mr. Stewardson then followed up by sending a form of confidentiality agreement for his signature that provided that Plaintiff would provide Mr. Samson "confidential and proprietary information. . . for use in (Marsam's) business." [Def Exh. 33 Plaintiff's Exh. 2); 2/22/99 Baldwin T198; 2/23/99 Samson T34, 42; 3/1/99 Samson T130-133, 135].

21. The Court finds Mr. Samson credible when he testified that during the September 3, 1991 meeting with Mr. Stewardson and himself, Plaintiff Tankha disclosed that he was interested in producing a generic version of Premarin. [2/23/99 Samson T39]; that when he asked how Plaintiff could make this drug that only Wyeth had been able to develop for commercial use, Plaintiff answered that he had access to Premarin information through his employment as a Wyeth Premarin engineer. Prior to the meeting, Mr. Samson had been unaware of Plaintiff Tankha's identity and the fact that he was a Wyeth engineer. [2/23/99 Samson T39-40].

22. The Court finds Mr. Samson credible when he testified that Plaintiff also provided him with copies of his Wyeth employment agreements and a page entitled, "Provide a Legal Opinion" and that the "Provide a Legal Opinion" document set forth a legal question Plaintiff Tankha wanted answered, posing a hypothetical as follows: whether "Company C" would have a cause of action against an engineer employed by it, "Employee E", who had become familiar with Company C's process and operation for

the manufacture of "Drug D" and who had left the company to produce Drug D. The Court further finds Mr. Samson credible when he testified that all concerned understood that Plaintiff Tankha was Employee E, that Wyeth was Company C and that Premarin was Drug D. [Def. Exh. 10; 2/23/99 Samson T45-51, 68-69].

23. The Court finds Mr. Samson credible when he testified that he declined Plaintiff's offer, which he understood to be an unethical proposal to get into a venture to make generic Premarin using information Plaintiff Tankha had learned during his employment at Wyeth, and Mr. Samson, thereafter, reported Plaintiff's activities to Defendant Wyeth. [2/23/99 Samson T51-53, 66-67, 83, 96-97].

24. The Court finds Plaintiff Tankha credible when he testified that thereafter, Defendant Wyeth interviewed him, and he confirmed that he had begun plans to produce a generic form of Premarin, and that he had met with Mr. Samson. [2/23/99 Tankha T215-16].

25. The Court finds Plaintiffs supervisor and friend, Brian Owens, credible when he testified that Plaintiff spoke to him and told him that he had offered information about Wyeth's Premarin process to a competitor. [2/24/99 Owens T214-16].

26. The Court finds Wyeth employees, Maddaloni, Dey and Boardman, credible when they testified that a search of Plaintiff Tankha's Radnor office by Wyeth security further proved that he had improperly obtained information about Wyeth's Premarin manufacturing process in that hidden in the back of one of the file drawers in Plaintiff's office in Radnor, Wyeth security employees found three sets of documents containing detailed, proprietary, confidential and trade secret information relating to portions of the Premarin manufacturing process carried out at Brandon and at Rouses Point, which Plaintiff had no job-related reason to have. [3/1/99 Maddaloni T64-66; 3/1/99 Dey T90-91, 96, 102-04; Def. Exhs. 233A, 233B and 233C: 2/24/99 Boardman T224-31].

27. The Court finds Wyeth employees, Mr. Boardman and Mr. Dey, credible when they testified that contrary to Plaintiff's attempted explanation at trial, the documents in his possession were not accidentally left there by a prior office occupant; Plaintiff

had worked at the Rouses Point facility, which was the source of the set of tableting documents, and at the Brandon facility, which was the source of the other two sets of documents. [2/24/99 Boardman T224-31: 3/1/99 Dey T90-96]. The Court finds Mr. Boardman and Dr. Dey credible when they testified that a trusted employee such as Plaintiff with access to Wyeth's manufacturing facilities could access and copy the documents. [3/1/99 Dey T102-103; 2/24/99 Boardman T247-48].

28. The Court finds Plaintiff Tankha credible when he testified that prior occupants of his offices had left papers behind and that the documents were not his, but he acknowledged that the prior occupant of his office where the documents were found was an employee with no Premarin responsibilities. [2/24/99 Tankha T118] The Court finds that Plaintiff Tankha never denied that the documents Wyeth found were his and never explained why, even if the documents were left over from someone else, he would have kept the materials against the instructions given by his supervisor, Brian Owens, to the engineers in Plaintiff's department to purge their offices of all Premarin-related materials after the Premarin-related engineering functions were transferred to the International Division of the company. [2/24/99 Tankha T119-20; 2/24/99 Owens T210-11].

29. The Court finds Mr. Tester of Cephalon credible when he testified that prior to Plaintiff's termination from Cephalon in 1994, Plaintiff had been found on at least three (3) occasions, in violation of company policy, to have photocopied confidential process and validation documents, some of which were marked "do not copy", and that Plaintiff Tankha also offered to give Cephalon valuable validation protocol documents from his prior employment. [Tester Dep. at 45-46, 49-53, 63-66, 68, 81].

30. The Court finds Mr. Christodoulou of Penick credible when he testified that following Plaintiff Tankha's termination from his employment with Penick in June, 1995, it was discovered that Plaintiff had wrongfully taken computer disks containing validation files and drug master files from the company and failed to return them. [Christodoulou Dep. at 27-28].

31. The Court finds Plaintiff Tankha credible when he testified that at Merck, he was fired after security "swooped" in and searched his briefcase and his person. [2/24/99 Tankha T167].

32. The Court finds that Mr. Boardman, who had been plant manager at Wyeth's Rouses Point, New York facility, is an individual with extensive knowledge about the company's manufacturing and security procedures, and the Court further finds him credible when he testified that Plaintiffs alternative explanation, that the documents had been provided to him in the course of his duties at Wyeth, is unconvincing and that there was absolutely no reason for any employee to have the documents found in Plaintiffs office in Radnor. [2/24/99 Boardman T237-38].

33. The Court finds Mr. Brian Owens, Plaintiffs supervisor at Wyeth, and a person Plaintiff identified at trial as a friend, credible when he testified, confirming that Plaintiff should not have had the materials in his office; that he had specifically instructed the engineers working in Radnor to purge their offices of all Premarin-related manufacturing documents after the Premarin-related engineering functions were transferred to another division. [2/24/99 Owens T210-11; 2/24/99 Tankha T224].

34. The Court finds that based on the evidence, Defendant Wyeth terminated Plaintiff Tankha's employment, effective November 1, 1991.

Plaintiff Tankha's Pursuit of His Plan
After Termination by Wyeth

35. The Court finds Plaintiff Tankha credible when he testified that his efforts to manufacture generic Premarin continued despite his firing by Defendant Wyeth, including forming various companies and soliciting outside investment and partnerships, e.g., Plaintiff formed Exton Laboratories to purify conjugated estrogen [2/24/99 Tankha T140], and Plaintiff tried to form Chazy Pharmacia to manufacture generic Premarin [Def. Exh. 63; Def. Exh. 70].

The Inevitability That Plaintiff Tankha Would Use Wyeth Information in Any Conjugated Estrogens Activity He Might Undertake

36. The Court finds that Plaintiff Tankha clearly did intend to use information gained during his Wyeth employment, which information extended well beyond that gained from expired patents and the public domain. [2/23/99 Tankha T204-06; 2/24/99 Tankha T74].

37. The Court finds Dr. Dey, an expert in the manufacturing steps and processes involved in the making of Premarin, credible when he testified that Plaintiffs written plans explicitly indicate that his intention was not just to produce a product containing estrogens, which is what the processes outlined in the patents would yield [3/1/99 Dey T85], but to produce an exact, generic substitute for Premarin. [Def. Exh. 70].

38. The Court finds Plaintiff credible when he testified that in response to a prospective investor's inquiry concerning the product he would produce, Plaintiff sent the investor a sample of Wyeth's Premarin. [Def. Exh. 70; 2/24/99 Tankha T179-80].

39. The Court further finds Plaintiff credible when he testified that he even wrote that "the product [my company] will manufacture in 1994 will be identical to Premarin, *using the identical process* and identical raw materials used in the manufacture of Premarin." [Def. Exh. 70; 2/24/99 Tankha T179-180 (emphasis added)].

40. The Court finds Plaintiff Tankha credible when he testified that in support of his efforts to obtain financing commitments, he cited his "expertise in the manufacture of generic Premarin" as proof that his plan was viable. [Def. Exh. 58, 2/24/99 Tankha T134-35].

41. The Court finds Charles Knott, a potential financing agent contacted by Plaintiff Tankha, credible when he testified that Plaintiff Tankha told him that the reason he could manufacture generic Premarin when no other company had been able to do so was that the drug was so difficult to make and that the problem related to understanding the "process", not the "patent". [3/1/99 Knott T19-20].

42. The Court finds Mr. Marvin Samson credible when he testified that when Plaintiff met with him, Plaintiff discussed using "confidential and proprietary information" to make the generic version of Premarin and never mentioned using any expired patent. [2/23/99 Samson T51-52, 66-67, 101].

43. The Court finds Plaintiff Tankha credible when he testified and acknowledged that he had never looked at an expired patent for PMU hormone extraction as of the time he approached Marvin Samson with his plan. [2/24/99 Tankha T74-75].

44. The Court further finds that clearly, all information about the Premarin process was not disclosed in the expired patents, and that Plaintiffs testimony to the contrary was not credible. [2/23/99 Tankha T205-506, 216; 2/24/99 Tankha T32-34, 36-37, 39-49, 72-74].

45. The Court finds expert witness Ronald Panitch, Esquire, a patent attorney, credible when he testified about knowledge that would be common to all patent attorneys, which Plaintiff was: United States patent law does not require the developer of a process to patent every part of that process, that it does not prevent anyone from improving on or changing a process disclosed in any patent, that it does not require the patentee of a process to disclose the means of mass producing a product or of producing a product in the most efficient way. [3/1/99 Panitch T39-44]. The Court finds Mr. Panitch credible when he testified that there would be no way for someone outside of Wyeth to know whether the 1947 and 1952 patents were actually used in the production of Premarin. [3/1/99 Panitch T44-48, 61-62; PI. Exh. 4 and 5].

46. The Court finds Dr. Dey credible when he testified that the 1947 and 1952 patents, in fact, do not disclose any part of Wyeth's process for making Premarin. [3/1/99 Dey T80-85, 86-88].

47. The Court finds that Plaintiff Tankha intended to use Wyeth's information improperly and, in fact, surreptitiously obtained and hid detailed Premarin manufacturing documents unrelated to his job responsibilities in the back of his filing cabinet in Radnor.

48. The Court finds that Plaintiffs Tankha had, in fact, held himself out to be an attorney and the "General Counsel" of a

corporation [2/24/99 Tankha T128-29; Def. Exh. 48], despite his testimony to the contrary.

49. The Court finds that Plaintiff Tankha was clearly aware of Premarin's status as a unique product on the market [2/24/99 Tankha T62-63, 129-36, 140-43], aware of the relationship between patent law and Wyeth's Premarin process [2/24/99 Tankha T33], that he was very knowledgeable in the manufacture of conjugated estrogens [2/24/99 Tankha T43-44; Def. Exh. 58], and aware that he sent out Premarin tablets as samples of the product he intended to manufacture. [2/24/99 Tankha T174-180].

50. The Court finds that Plaintiff Tankha gave information about his qualifications, business plans and termination from Wyeth to prospective employers; despite his testimony to the contrary. [2/24/99 Tankha T143-53].

51. The Court finds Asha Katju, Plaintiff's sister, credible when she testified that Plaintiff's reputation for honesty and truthfulness was "lacking".[3]

52. The Court finds that Plaintiff clearly intended to manufacture a generic version of Premarin without utilizing Wyeth's trade secrets. [3/1/99 Katju T138].

53. The Court finds Plaintiff credible when he testified that the only meaningful protection against his use of Wyeth's trade secret information would be to prevent him from participating in any way in the design or construction of a conjugated estrogens manufacturing facility in that he testified that the entire process would have to be designed and constructed by an outside consultant and he would not in any way, shape or form be involved in advising the hypothetical outside consultant on how to design and construct the facility. [2/24/99 Tankha T107-09].

54. The Court finds Charles Knott credible when he testified that the only value in Plaintiff's plan was his knowledge of how to make a generic version of Premarin and that he understood from Plaintiff that he would supply that knowledge to the proposed venture.

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3. After a hearing prior to trial, this Court issued an Order which found Plaintiff Tankha had been "less than candid and forthcoming" to the Court. See Order, 11/19/99.

55. The Court finds that it is impossible for Plaintiff to carry out this purported commitment to remove himself from these functions in pursuing his plan. [Knott Dep. at 55-56, 135-36].

56. The Court finds financing agent, Dana Stewardson, credible when he testified that he entered into his commission agreement with Plaintiff based expressly on Plaintiff's representation that he had the "knowledge required for design, construction and operation of the facility." [Def. Exh. 32].

57. The Court finds that Plaintiff has demonstrated the grave threat that he poses to the confidential and proprietary information he has acquired from his former employer, Wyeth. [Tester Dep. at 45-46, 49-53, 63-66, 68, 81; Christodoulou Dep. at 27-28].

Plaintiff Tankha's Employment in Positions Unrelated to Conjugated Estrogens

58. The Court finds Plaintiff Tankha credible when he testified that he has held numerous employment positions since his work at Wyeth, including positions at Cephalon, Penick, Merck and Halsey Drug Company, that did not involve the manufacture of conjugated estrogens. [2/24/99 Tankha T153, 167].

Conclusions of Law

1. The Court concludes that Plaintiff Tankha and Defendant Wyeth were in a contractual relationship expressly created by the employment agreements signed by Plaintiff. [Def. Exhs. 22A, 22B, 29].

2. The Court further concludes that, specifically, Plaintiff Tankha was obligated, pursuant to said agreements: not to engage in any other work which was similar to or competing with Wyeth's business during his employment; not to disclose to another any data or information acquired through his employment with Wyeth during his employment; not to use such information for his own benefit during his employment, to assign the ownership interest in anything which he developed, improved or discovered while working for Wyeth to Wyeth; not to hold any position as director, officer, or employee of any company competitor; not to hold any position in a commercial enterprise which would interfere with performance of the employee's duties at Wyeth; not to disclose to anyone outside the Wyeth any of Wyeth's confidential business information and

trade secrets such as, *inter alia*, financial data, formulae, and processes; and not to use, directly or indirectly, confidential business information for his personal benefit or to the detriment of Wyeth. [Def. Exhs. 22A, 22B. 29].

3. The Court concludes that the above-described contracts imposed upon Plaintiff Tankha an implied obligation to deal with Defendant Wyeth in good faith. Under the law, every contract imposes upon the parties a duty of good faith and fair dealing. This implied duty means that the parties are obligated to do and perform those things that, according to reason and justice, they should do in order to carry out the purpose for which the contract was made, and to refrain from doing anything that would destroy or injure the other party's right to receive the fruits of the contract. In addition, the obligation of good faith and fair dealing requires the parties to act with honesty in fact in the performance of the terms of the contract. Restatement (Second) of Contracts §205; *Creeger Brick and Building Supply, Inc. v. Mid-State Bank and Trust Co.*, 385 Pa.Super. 30, 35, 360 A.2d 151, 153 (1989); *Somers v. Somers*, 418 Pa.Super. 131, 613 A.2d 1211-1213-14 (1992).

4. The Court concludes that Defendant Wyeth acted in conformity with the contracts when it treated Plaintiff Tankha as a trusted employee and gave him access to confidential and proprietary process information relating to the manufacture of Premarin, and access to its facilities for the purpose of carrying out his duties as a process engineer.

5. The Court further concludes that as a result of the contractual relationship between Plaintiff and Defendant, Plaintiff obtained trade secret, proprietary and confidential information relating to Wyeth's process for the manufacture of Premarin. This information includes information Plaintiff learned during the course of his duties as a Premarin process engineer, and information he obtained which was unrelated to his job duties, but made accessible to him because of his status as a trusted professional employee.

6. The Court concludes that Plaintiff Tankha has learned how Defendant Wyeth makes the active ingredient of Premarin [Tankha Deposition at pp. 172-74, 177], that he is familiar with the process and operation for the manufacture of Premarin [Defendant's Exh. 10], that he was in possession of the Premarin process [2/24/99

Tankha T125], and that he knows Wyeth's process for making the drug [2/22/99 Stager T175-78].

7. The Court concludes that any use or disclosure of the trade secret, proprietary and confidential information will constitute a breach of the employment agreements and the duty of good faith and fair dealing implied therein. The Court concludes that Plaintiff understands that his contractual obligations to Defendant forbids him from making available the confidential and proprietary information relating to the manufacture of Premarin, which he admitted he received, to anyone outside of Wyeth [2/24/99 Tankha T10-11] and that any effort by him to make a product using the identical process that Wyeth uses would violate his obligations to Wyeth.

8. The Court concludes that there is a strong likelihood that Plaintiff would, in fact, use Defendant's information in his business for the following reasons:

a. Plaintiff offered to make Defendant's confidential and proprietary information available for Marvin Samson's use in connection with the venture Plaintiff Tankha proposed;

b. Despite his lack of any experience producing any hormone product prior to working for Wyeth, Plaintiff set out to produce an exact, generic substitute for Premarin, using the identical process and the identical raw materials used to make Premarin;

c. In support of his efforts to obtain financing commitments, Plaintiff repeatedly cited his "expertise in the manufacture of generic Premarin" as proof that his plan was viable;

d. Potential financing sources understood that Plaintiff intended to supply the information on how to manufacture the generic substitute, and that it was his knowledge of the "process", not his understanding of a long-ago expired patent that gave his plan value;

e. Plaintiff Tankha exhibited his intention to use Wyeth's information improperly by obtaining and hiding detailed Premarin manufacturing documents in the back of his filing cabinet drawer in Radnor;

f. Plaintiff Tankha demonstrated the threat that he poses to the confidential and proprietary information of his employers

through his conduct at Cephalon and Penick; Plaintiff's acknowledged unfulfilled commitment to divorce himself from the design and construction functions for his proposed facilities as a means of protecting Wyeth evidences that even he is aware that any participation by him in these functions poses a grave and unacceptable threat to Wyeth's information.

9. The Court concludes that Plaintiff's use of Wyeth's information to Wyeth's competitive detriment and to Plaintiff's personal advantage in breach of his obligations to Wyeth is inevitable if Plaintiff is permitted to engage directly or indirectly in the business of manufacturing any conjugated estrogens product, since the information Plaintiff learned and obtained from Wyeth – detailed process steps which would allow Plaintiff to manufacture Premarin's active ingredient and duplicate other aspects of Premarin manufacturing process – would be inextricably connected to any work that Plaintiff Tankha could perform for another conjugated estrogens manufacturing operation.

10. The Court concludes that the proper inquiry in an injunction action like this one is whether there is a substantial threat that the defendant will disclose or use the information. In *Den-Tal-Ez v. Siemens Capital Corp.*, 389 Pa.Super. 219, 566 A.2d 1214 (1989), the Court explained:

> Although obviously one cannot be held liable for damages for misappropriation of a trade secret without proof of actual harm through past use or disclosure, as to injunctive relief, our focus is necessarily prospective. The proper inquiry is not whether defendant already has used or disclosed, but whether there is sufficient likelihood, or substantial threat, of defendant doing so in the future.

389 Pa.Super. at 255, 566 A.2d at 1232 [*citing Air Products*, 296 Pa.Super. 405, 442 A.2d at 1122-25; *S.I. Handling Systems, Inc. v. Heisley*, 753 F.2d 1244, 1257 (3d Cir. 1985)].

11. The Court concludes that Wyeth will be irreparably harmed by Plaintiff Tankha's breach of the employment agreements if a permanent injunction is not issued, since such an injunction is the only way effectively to prevent use of the confidential information. The Court further concludes that the measure of

economic harm Wyeth might suffer at the hands of Plaintiff is incalculable, and this is precisely the type of case that Pennsylvania courts recognize most warrants injunctive relief. The negative impact of the use by an employee of confidential information on the employer's position in the market and the positive impact on the employee's position are precisely the types of harm that are not subject to exact valuation through damage awards. *Den-Tal-Ez*, 389 Pa.Super. at 257, 566 A.2d at 1233 [*citing*, *Ecolaire, Inc. v. Crissman*, 542 F.Supp. 196, 205 (E.D. Pa. 1982)].

12. The Court concludes that issuance of the injunction would result in less injury to Plaintiff than would refusal to issue an injunction, especially in light of Plaintiff Tankha's proven ability to obtain employment in positions unrelated to the manufacture of conjugated estrogens.

13. The Court concludes that the public interest in morality, fair dealing and the protection of proprietary information would be promoted by the injunction.

14. The Court concludes that the facts supporting the issuance of the injunction are even stronger than the facts giving rise to the broad injunction issued in *Den-Tal-Ez*. There, the plaintiff company, Star, turned over detailed business information to Siemens in support of merger discussions governed by a confidentiality agreement. After receiving the information, however, Siemens decided to cancel the merger plans and proceed to merge with Midwest, a competitor of Star's. When Star sued to enjoin the Siemens/Midwest merger on the grounds that Siemens' merger with Midwest would inevitably lead to Siemens' use of Star's information to Star's competitive detriment, the trial court issued the injunction, and the Superior Court affirmed. *Den-Tal-Ez*, 389 Pa.Super. at 219, 255-56, 566 A.2d at 1221, 1232-33. In supporting the holding, the court concluded that there was a substantial threat that Siemens would use Star's information in Siemens' operation of Midwest since some personnel at Siemens had reviewed both Star's and Midwest's information and Siemens personnel who had reviewed Star's information would be involved in the management or operation of Midwest. *Id.*, 389 Pa.Super. at 219, 255-56, 566 A.2d at 1232-33.

15. The virtual impossibility that Plaintiff Tankha would or could manufacture any conjugated estrogens product without using the trade secret, confidential and proprietary information obtained from Defendant Wyeth also supports the broad injunction here. Just as in *Den-Tal-Ez*, in the case herein, the use of the trade secret, confidential and proprietary information cannot be avoided because the person who has it, Plaintiff Tankha, is the person who would be involved in maraging and operating the competing enterprise. In fact, this case is even more appropriate for the award of a broad injunction because, by contrast to *Den-Tal-Ez*, the Court concludes that Plaintiff Tankha has made specific plans to use Wyeth's information in direct competition with Wyeth, and there is no question that the relationship between these parties extended beyond the arms-length negotiations of potential merger partners and was one of confidence and trust.

16. The Court concludes that Defendant Wyeth has established its right to an order permanently enjoining Plaintiff Tankha from engaging in the business of manufacturing any conjugated estrogens product, and from disclosing to anyone outside Wyeth, information, documents or other materials which relate in any way to the development or manufacture of Premarin or any related conjugated estrogens product.

17. The Court concludes that Defendant Wyeth is entitled to prevail on its breach of contract claim because it has proven the existence of a contract imposing the duty of confidentiality upon Plaintiff with respect to information learned at Wyeth and the substantial likelihood that Plaintiff will violate those obligations absent an injunction. *Den-Tal-Ez v. Siemens Capital Corp.*, 389 Pa.Super. 219, 566 A.2d 1214 (1989).

18. Under Pennsylvania law, any employer is entitled to an injunction against an employee's activities that involve or inevitably would involve the use of trade secrets acquired by that employee as a result of a confidential relationship with the employer. *Christopher M's Hand Poured Fudge v. Hennon*, 699 A.2d 1272, 1274-77 (Pa.Super. 1997); *Air Products & Chemicals, Inc. v. Johnson*, 296 Pa.Super. 405, 415-16, 442 A.2d 1114, 1120 (1982).

19. The Court concludes that there is no doubt that Defendant Wyeth's process for manufacturing Premarin is a trade secret under Pennsylvania law. The Pennsylvania Supreme Court has adopted the definition of "trade secret" set forth in comment b to section 757 of the Restatement of Torts:

> A trade secret may consist of any formula, device or compilation of information which is used in one's business, and gives him an advantage over competitors who do not know or use it.

Christopher M's Hand Poured Fudge, 699 A.2d at 1274-75 (*quoting Felmlee v. Lockett*, 466 Pa. 1, 9, 351 A.2d 273, 277 (1976) (citations omitted)). In that case, the court enumerated factors it may consider in determining whether information qualifies as a trade secret, which include:

> (1) the extent to which the information is known outside the owner's business; (3) the extent of measures taken by the owner to guard the secrecy of the information: (4) the value of the information to the owner in developing the information; (5) the amount of effort or money expended by the owner in developing the information: (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

Id., 699 A.2d at 1275.

20. The Court concludes that the testimony of Michael Dey, the President of Wyeth's ESI Lederle Division, who holds a Ph.D. in Pharmacology and Toxicology, who also had extensive responsibility at Wyeth for the pharmaceutical product Premarin during the relevant period, and Ralph Boardman, the thirty-four (34) year veteran Plant Manager at Wyeth's Rouses Point facility during the relevant period, confirms that Wyeth's process for manufacturing Premarin, which involves hundreds of details such as temperatures, processing times and ingredients, has been developed through more than fifty (50) years of research and development by Wyeth [3/1/99 Dey T72-76; 2/24/99 Boardman T231-37] and is proprietary, unique and secret. Mr. Boardman confirmed that the PMU extraction technique alone has been upgraded from the patent process countless times during his tenure. [2/24/99 Boardman

T231-37]. Since there is no substitute product for Premarin, the Court concludes and it is uncontradicted that no other manufacturer utilizes these various aspects of Wyeth's process.

21. The Court further concludes that Defendant Wyeth takes great care to maintain the secrecy of its process for the manufacture of Premarin. As several knowledgeable witnesses testified, these precautions include: requiring employees to execute confidentiality agreements protecting information conveyed in the course of their employment; keeping documents setting forth manufacturing procedures for Premarin under lock and key; keeping inventories of Premarin manufacturing documents and monitoring their use by employees; maintaining a security program in which security personnel guarded Wyeth facilities around the clock, monitored cameras located throughout the facilities, and conducted random searches of employees and their belongings; requiring visitors to manufacturing facilities to be escorted, and compartmentalizing the Premarin manufacturing process, so that all employees assigned job responsibilities relating to Premarin would know only that portion of the process relating to their specific tasks.

22. The Court further concludes that the value of Defendant Wyeth's process for the manufacture of Premarin is well-established and that Premarin is responsible for more than $1 billion in annual sales; no other company makes even $1 from sales of a substitute product made from PMU. [3/1/99 Dey T97-98].

23. The Court concludes that this evidence establishes that Defendant Wyeth's process for the manufacture of Premarin is a trade secret. Indeed, the information is not known outside the company; Defendant Wyeth has spent a great deal of effort and expense in both developing and maintaining the secrecy of the process, and the process is highly valuable.

24. A confidential relationship exists when an employee is placed in a position of trust and confidence by his employer, such that there was an understanding that information was being disclosed in confidence and was not to be used for any purpose other than that for which it was provided. *Christopher M's Hand Poured Fudge v. Hennon*, 699 A.2d 1272, 1274-77 Pa.Super. (1997); *Den-Tal-Ez v. Siemens Capital Corp.*, 389 Pa.Super. 219,

240-45, 566 A.2d 1214-1224-27 (1989); Restatement of Torts §757, comment c.

25. The Court concludes that both written employment agreements and the circumstances of Plaintiff Tankha's employment establish that a confidential relationship existed between him and his employer, Wyeth. The Agreement Not To Compete that Plaintiff Tankha signed on March 7, 1989 specifically provides that he will not engage in any other work which is similar to or competes with Wyeth's business, that Plaintiff Tankha will not disclose to another any data or information acquired through his employment with Wyeth, and that he will not use such information for his own benefit. [Defendants' Exh. 22B]. Further, the Agreement Not To Compete provides that anything which Plaintiff Tankha developed, improved or discovered while working for Wyeth would become the sole property of Wyeth. [Defendants' Exh. 22B]. The Statement on Policies Agreement which Plaintiff Tankha signed on August 15, 1989 also provides that during the term of his employment and thereafter, he will not disclose to anyone outside of Wyeth any of Wyeth's confidential business information and trade secrets such as, *inter alia*, financial data, formulae, and processes or use, directly or indirectly, confidential business information for his personal benefit or to the detriment of Wyeth. [Defendants' Exh. 29].

26. The Court concludes that Plaintiff Tankha obtained trade secret information about Wyeth's Premarin manufacturing process as a result of a confidential relationship.

27. The Court concludes that even if these employment agreements had not existed between Plaintiff Tankha and Defendant Wyeth, it is clear that Defendant Wyeth provided information to Plaintiff based on the understanding that he would not use it for any purpose other than to carry out his assigned job functions as a Premarin process engineer. The Court found that Plaintiff himself understood that he had an obligation not to disclose or use the confidential and proprietary information he learned at Wyeth and not to manufacture conjugated estrogens using the identical process Wyeth uses, and that he would never do so because such use or disclosure would be wrong and would violate his obligations to Wyeth. *See Christopher M's Hand Poured Fudge v. Hennon*, 699

A.2d 1272, 1276 Pa.Super. (1997) (citing *Wexler v. Greenberg*, 299 Pa. 569, 577-78, 160 A.2d 430, 434 (1960) ("[T]he trust and confidence upon which legal relief is predicated stems from the instance of the employer's turning over to the employee of pre-existing trade secrets").

28. The Court concludes that Plaintiff Tankha used the trust and confidence that Defendant Wyeth placed in him to obtain information surreptitiously about the Premarin manufacturing process which was not related to his job functions when he obtained highly confidential, detailed documents relating to various steps in Wyeth's manufacture of Premarin and hid them in his file cabinet.

29. Under Pennsylvania law, a broad "production injunction" preventing an employee from manufacturing the type of product in question, rather than a narrow "use injunction" preventing an employee from using misappropriated trade secrets, should be issued when a trade secret is "inextricably connected" to the employee's manufacture of the product because the employee cannot be "relied upon to 'urlearn' or abandon the misappropriated technology." *Christopher M's Hand Poured Fudge v. Hennon*, 699 A.2d 1272, 1274-77 Pa.Super. (1997); *Air Products and Chemicals, Inc. v. Johnson*, 296 Pa.Super. 405, 425-27, 442 A.2d 1114, 1124-25 (1982) (preliminarily enjoining ex-employee from employment in related business based on conclusion that it would be impossible for the employee to carry out his proposed job functions without drawing on knowledge he possessed of employer's confidential information). A substantial threat that confidential information will be misused is sufficient to support the issuance of the broader type of injunction. *Den-Tal-Ez, supra.*

30. In *Christopher M's Hand Poured Fudge v. Hennon, supra*, the court issued a broad production injunction permanently prohibiting Hennon, a former employee of Christopher M's Hand Poured Fudge, from engaging in the manufacture or selling of fudge. The court's decision was based on the finding that Hennon had no experience manufacturing fudge prior to his employment and had acquired Christopher M's secret recipe and learned Christopher M's unique manufacturing process during his employment. The appellate court upheld the Injunction despite the obvious

fact that Hennon could have chosen some other publicly-known fudge recipes for use in his proposed business to avoid using the information he had learned at Christopher M's. The *Christopher M's* court relied upon the employer's entitlement to protection, noting:

> Pennsylvania law permits courts the leeway to issue trade secret injunctions that are 'broad enough to ensure that the information is protected.' *Den-Tal-Ez*, 566 A.2d at 1232 (quoting *SI Handling Systems v. Heisley*, 753 F.2d 1244, 1265 (3d Cir. 1985). . . Hennon's lack of prior fudge-making experience, combined with his knowledge of Christopher M's secret recipe and manufacturing process, tends to establish an inextricable connection between Christopher M's secret recipe and the manufacture of fudge by Hennon and [Hennon's company]. . . . Furthermore, an injunction that bars Hennon and [Hennon's company] from involvement in the fudge-making business provides absolute protection to Christopher M's trade secrets by guaranteeing that Hennon will not use those trade secrets to duplicate Christopher M's fudge.

699 A.2d at 1277-78 (some citations omitted)

31. The Court concludes that just like Hennon in *Christopher M's* Plaintiff Tankha acquired trade secret information relating to the manufacture of his employer's unique trade secret manufacturing processes for a highly valuable product and had no prior experience manufacturing that product. The Court concludes that Defendant Wyeth is entitled to absolute protection from its former employee's use of its information.

32. The Court concludes that the case in favor of a broad injunction is even more compelling in the instant case than in the *Christopher M's* case because the threat that Plaintiff Tankha will use Wyeth's secret information is even greater. Unlike fudge, Premarin is not even a product with respect to which an alternative, publicly-known recipe is available. Further, unlike Hennon, Plaintiff Tankha has expressly stated his intent to use the employer's exact process and has demonstrated his inability to proceed without using information he acquired during his employment. Plaintiff Tankha has, moreover, demonstrated the threat he poses to the confidential and proprietary information by his surreptitious acquisition of information that he had no reason to

have for the purposes of his Wyeth employment and by his mishandling of the confidential information of other employers.

33. The Court further concludes that, as set forth in the foregoing discussion of Wyeth's breach of contract claim, the facts herein meet all the other elements necessary to support the broad injunction Wyeth seeks. The Court concludes that Plaintiff's use of Defendant Wyeth's information to Wyeth's competitive detriment and to Plaintiff's personal advantage is inevitable if Plaintiff is permitted to engage, directly or indirectly, in the business of manufacturing any conjugated estrogens product, or to disclose the information to anyone outside Wyeth.

34. The Court concludes that Defendant Wyeth will be irreparably harmed by Plaintiff's breach of the employment agreements if a permanent injunction is not issued, since such an injunction is the only way to effectively prevent use of the confidential information. The Court concludes that there is no adequate remedy at law since the measure of economic harm Defendant might realize at the hands of Plaintiff is incalculable. The Court concludes that issuance of the injunction would result in less injury than would refusal to issue an injunction. Finally, the Court concludes that the public interest in morality, fair dealing and the protection of proprietary information would be promoted by the injunction.

35. An injunction may issue preventing the use of trade secrets upon proof that the defendant obtained confidential business information by improper means for the purpose of advancing a rival business interest. *Restatement of Torts*, §757, 759; *Den-Tal-Ez v. Siemens Capital Corp.*, 389 Pa.Super. 219, 253-55, 566 A.2d 1214, 1231 (1989).

Improper Procurement of Trade Secrets

36. The Court concludes that Plaintiff Tankha's improper procurement of Wyeth's trade secrets also separately and independently supports an order permanently enjoining Plaintiff from engaging in any way in the business of manufacturing any conjugated estrogens product and from disclosing to anyone outside Wyeth information, documents or other materials which relate in

any way to the development or manufacture of Premarin or any related conjugated estrogens product.

37. The Court further concludes that Plaintiff Tankha developed his plan at least nine (9) months before his employment at Defendant Wyeth was terminated. [3/1/99 Katju T138]; that Plaintiff worked at the Company throughout those nine (9) months, and possibly longer, all the while continuing his access to the confidential, proprietary and trade secret information relating to the Premarin manufacturing process.

38. The Court further concludes that Plaintiff Tankha used his position to gather information about Wyeth's processes to advance his rival business interest; that Plaintiff obtained highly confidential, detailed documents relating to various steps in Wyeth's manufacture of Premarin unrelated to his duties at the Company; and that he hid these materials in his file cabinet.

39. The Court concludes that Plaintiff Tankha engaged in the above activities despite the representations in his Agreement Not to Compete and the Statement of Policies Agreements that he would not engage in any other work which is similar to or competes with Wyeth's business, that he would not hold any position in a rival business, and that he would not use, directly or indirectly, confidential business information for his personal benefit or to the detriment of the Defendant Company.

40. The Court concludes that the acquisition of confidential and proprietary information through such misrepresentations about his loyalty to Wyeth, failure to disclose his plans to compete, and surreptitious acquisition of materials unrelated to his assigned job functions amounts to acquisition by improper means under Pennsylvania law. *E.g., Ecolaire, Inc. v. Crissman*, 542 F.Supp. 196, 206-07 (E.D. Pa. 1982) (finding an employee's acquisition of confidential and proprietary information in the course of employment after rival business interest is known amounted to improper procurement); *College Watercolor Group, Inc. v. William H. Neubauer, Inc.* 468 Pa. 103, 360 A.2d 200 (1976) (finding person licensed to obtain information who subsequently developed, but failed to disclose rival business interest while continuing to receive information was liable for improper procurement); *Sims v. Mack Truck Corp.*, 608 Floyd 87, 95 (3d Cir. 1979) (finding that obtaining

information under the guise of negotiating for a license could constitute improper procurement under Pennsylvania law).

41. The Court further concludes that Defendant Wyeth has proven Plaintiff's liability on the separate improper procurement claim. The Court further concludes that the facts as found above support granting a broad injunction against Plaintiff Tankha's disclosure of Wyeth's information and engagement in any way in the manufacture of conjugated estrogens.

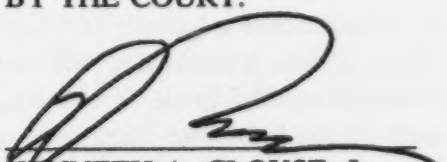
WHEREFORE, the Court hereby orders that Plaintiff Ashok Tankha is permanently enjoined from engaging in any way in the business of manufacturing any conjugated estrogens products, and from disclosing to anyone outside Wyeth information, documents or other materials which relate in any way to the development or manufacture of Premarin or any related conjugated estrogens product.

It is further ORDERED that Plaintiff Ashok Tankha and anyone acting in concert or participation with him is permanently enjoined from directly or indirectly, using or disclosing, any of Wyeth's information or that of its parent(s), subsidiaries, affiliated companies, division, successors, or assigns that reflects, refers or relates to any aspect of the production or manufacture of Premarin or any related conjugated estrogens product.

It is further ORDERED that Plaintiff Ashok Tankha is permanently enjoined from, directly or indirectly, working on, participating in, consulting, or otherwise providing services, information, materials or other assistance for the development or manufacture of a generic version of Premarin, or any conjugated estrogens product.

It is further ORDERED that this Court shall retain jurisdiction for purposes of enforcement of this Order on the Counterclaim of Wyeth Laboratories, Inc.

BY THE COURT:



KENNETH A. CLOUSE, J.

IN THE COURT OF COMMON PLEAS OF DELAWARE COUNTY, PENNSYLVANIA CIVIIL ACTION – LAW

ASHOK TANKHA	:	NO. 94-10711
	:	
v.	:	
	:	
WYETH-AYERST LABORATORIES, INC., A Division of American Home Products Corporation and FRED HASSAN, President of Wyeth-Ayerst Laboratories, Inc. and MARSAM PHARMACEUTICALS, INC. and MARVIN SAMSON, President of Marsam Pharmaceuticals, Inc.	:	

William P. Murphy, Esquire, Counsel for Plaintiff
Joseph R. Viola, Esquire, Counsel for Plaintiff
Murray S. Levin. Esquire, Counsel for Defendants
Vincent Carissimi, Esquire, Counsel for Defendants

OPINION

CLOUSE, J. DATE: May 16, 2000

Plaintiff Ashok Tankha filed a Complaint against Defendants Wyeth-Ayerst Laboratories, Inc., Fred Hassan, Marsam Pharmaceuticals and Marvin Samson for damages for alleged defamation, false light, tortious interference with contractual relations, disparagement, conspiracy, breach of fiduciary duty and misrepresentation, intentional infliction of emotional distress, breach of contract and promissory estoppel. Defendant Wyeth filed a Counterclaim against Plaintiff for alleged breach of contract, misappropriation of trade secrets, and improper procurement of confidential and proprietary seeking to permanently enjoin Plaintiff from directly or indirectly engaging in the business of manufacturing any conjugated estrogens product and from disclosing to anyone outside Wyeth, information, documents or other materials which refer, reflect or relate to the development or manufacture of conjugated estrogens.[1]

1. The Complaint was originally filed in Philadelphia County on February 14, 1992 and later transferred to Delaware County upon the granting of Petition for Transfer of Venue.

A Jury Trial[2] was held before The Honorable Kenneth A. Clouse, solely on Plaintiffs claim for damages,[3] on February 22, 23 and 24, and March 1 and 2, 1999. The Jury returned a Verdict in favor of Defendants Hassan and Wyeth.[4]

In April, 1999, Defendant Wyeth filed Proposed Findings of Fact and Conclusions of Law with respect to its Counterclaim. Thereafter, Plaintiff Tankha filed counter requests for Findings of Fact and Conclusions of Law, along with a Motion for Compulsory Non-Suit or Dismissal and to Strike. By Order dated July 9, 1999, the Court denied Plaintiffs Motion for Compulsory Non-Suit.

On September 7, 1999, the Court issued an Order/Verdict and Opinion finding in favor of Counterclaim Plaintiff Wyeth-Ayerst Laboratories and against Counterclaim Defendant Ashok Tankha. The Court ordered that Plaintiff, and anyone acting in concert or participation with him, is permanently enjoined from directly or indirectly, using or disclosing, any of Wyeth's information or that of its parent(s), subsidiaries, affiliated companies, divisions, successors or assigns that reflects, refers or relates to any aspect of the production or manufacture of Premarin or any related conjugated estrogens product. The Court further ordered that Plaintiff is permanently enjoined from, directly or indirectly, working on, participating in, consulting, or otherwise providing services, information, materials or other assistance for the development or manufacture of a generic version of Premarin, or any conjugated estrogens product.[5]

Thereafter, following the conclusion of the bifurcated trial, Plaintiff filed a Motion for Post-Trial Relief seeking a new trial,

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2. Plaintiff proceeded to trial solely on Count I (Defamation) of his Complaint, having withdrawn all other counts prior to that time.

3. Immediately prior to the commencement of trial on February 22, 1999, the Court ruled that the trial would proceed solely on Plaintiff Tankha's case and Defendants' defenses thereto. The Court further stated that at the conclusion of the trial, it would rule on Wyeth's Counterclaim based on all the evidence admitted and take additional evidence, if necessary.

4. Directed Verdicts were entered in favor of Defendants Marvin Samson and Marsam Pharmaceuticals on February 24, 1999.

5. The Court, by Order dated September 14, 1999, amended its Opinion dated September 7, 1999.

judgment notwithstanding the Verdict and alternate relief[6] Defendants filed a response thereto, and memoranda of law were submitted by the parties pursuant to a briefing schedule set forth in the Court's October 28, 1999 Order. By Order dated January 26, 2000, the Court denied Plaintiffs Motion for Post-Trial Relief. The Court, on the same date, entered a final decree granting a permanent injunction on the Counterclaim of Defendant Wyeth.

Plaintiff has now filed a Notice of Appeal with the Superior Court of Pennsylvania.

The Court hereby incorporates its Opinion dated September 7, 1999 filed in the instant matter.

Plaintiff Tankha initially contends that the Court, sitting in equity, erred when it found that certain documents allegedly containing trade secrets had been found hidden in the back of a file in Plaintiffs office, when such findings were unsupported by evidence in the trial record.

The Court properly could not ignore the record that clearly supports the fact that Defendant Wyeth had discovered highly confidential documents containing trade secret Premarin manufacturing information in Plaintiff's office. Defendant Wyeth presented unrebutted testimony that Plaintiff had absolutely no legitimate Wyeth-related business for having these documents in his possession. Indeed, he had been expressly ordered by his supervisor, Brian Owens, to dispose of all such documents. *See, e.g.* [Tr. 3/l/99, Dr. Dey, p. 96; Tr. 2/24/99, Owens, p. 210]. The location of these documents in a file drawer merely underscores and adds to the point. [Tr. 3/l/99, Maddaloni, pp. 66, 175] (noting that documents were found in a file drawer). Nothing in the record challenges the critical facts, that Plaintiff had these documents in his possession when he should not have. Moreover, Plaintiff acknowledged that his predecessor in the office did not work on Premarin [Tr. 2/24/99, pp. 118, 120] and indeed, finally admitted at

6. Defendants entered Judgment on the Jury's Verdict and the Directed Verdict on September 14, 1999; Plaintiff contends that same was premature in that the Court had just issued its Order/Verdict on Defendants' Counterclaim on September 7, 1999.

trial that the Premarin manufacturing documents in his office were his. [Tr. 2/24/99, p. 125].

The documents and the circumstances of their discovery are clearly relevant herein in that they are powerful evidence in support of the truth of the statements that Plaintiff alleges are defamatory. Mr. Tankha claims defamation from Wyeth's statement that "a trade secret for one of our main products was offered to a generic competitor", and Marsam's similar statements to Wyeth describing Mr. Tankha's proposal to enter into a joint venture to produce generic Premarin based on his familiarity with the process and operation of Wyeth's manufacture of Premarin. The evidence established that Wyeth found the three sets of Premarin manufacturing documents at issue the very next morning after an afternoon meeting in which it questioned Mr. Tankha about his contact with Marsam. The documents were located in the back of a file drawer in Mr. Tankha's office and contained detailed information about the process and operation of Wyeth's manufacture of Premarin, including information about parts of that process and operation which were not part of Mr. Tankha's job responsibilities.

The evidence established that Wyeth found the documents during a reasonable internal investigation following the receipt of information from Mr. Samson and before the November 1, 1991 memorandum was issued. Given the circumstances of the discovery and the content of the documents, the documents buttress the reasonableness of Wyeth's and Mr. Hassan's belief in the truth of their statement, and the fact that Wyeth neither believed its statement was false nor acted with any level of fault.

Evidence of the discovery of these documents established that Mr. Tankha in fact possessed confidential, proprietary and trade secret information of Wyeth, that Mr. Tankha obtained this information improperly and that Mr. Tankha intended to use the information improperly. The evidence also established that Mr. Tankha's offer of Wyeth's information to Marsam was based, at least in part, on his possession of the process and operation of Wyeth's manufacture of Premarin.

The documents and the circumstances of their discovery were also relevant to the issues of fault, conditional privilege and punitive damages raised by Mr. Tankha's claims. These legal principles implicate issues of both actual and common law malice and their attendant elements related to subjective and objective intent, good faith and prudence. *See, e.g., Corabi v. Curtis Publishing Co.*, 441 Pa. 432, 273 A.2d 899 (1971), overruled on other grounds *Dunlop v. Philadelphia Newspaper, Inc.*, 301 Pa.Super. 475, 488, 448 A.2d 6, 13 (1982) (abuse of conditional privilege shown by malice); *Cooke v. The Equitable Life Assurance Society*, 1999 Pa.Super. LEXIS 11 at *20 (Jan. 15, 1999) (conditional privilege is abused if the publication is actuated by malice or negligence); *Sprague v. Walter*, 441 Pa.Super. 1, 656 A.2d 890 (1995) (punitive damages in a defamation case may be supported by evidence of bad motive or reckless indifference).

Further, the documents support Defendant Wyeth's counter-claim against Mr. Tankha for breach of contract, misappropriation of trade secrets and improper procurement of confidential and proprietary information. Included in the elements of these claims are the requirements of proof. (1) that Plaintiff possessed Wyeth's confidential, proprietary or trade secret information; (2) that Plaintiff improperly procured the information; and (3) that Plaintiff either used, intended to use or inevitably would use the information for his own benefit. Clearly, documents containing Wyeth's confidential, proprietary and trade secret information not within Plaintiff's job responsibilities found in a remote place in Plaintiff's own office only hours after Plaintiff was confronted with Wyeth's knowledge of his meeting with Marsam, tend to support each of these three elements.

Clearly, the Court properly permitted the introduction of the documents directly related to: (1) the truth of the statements at the time they were made; (2) elements of fault, conditional privilege and punitive damages; and (3) Plaintiffs ability and intention to use Wyeth's proprietary, confidential and trade secret information for his own, improper benefit.

Plaintiff Tankha next contends that the Court erred by denying Plaintiffs spoliation motion and allowing Defendants to use pieces it extracted from a file found in the office used by Plaintiff,

notwithstanding that Wyeth had otherwise destroyed the true and complete file, thus prejudicing Plaintiff's ability to rebut the prejudicial inference.

The Court clearly properly ruled that Wyeth's routine disposal of documents in the office of a discharged employee following its investigation, and before any litigation was brought or even threatened, did not constitute spoliation requiring any of the drastic remedies proposed by Plaintiff. Under Pennsylvania law, exclusion of evidence on the ground of alleged spoliation is an "extreme sanction". *Schroeder v. Department of Transportation*, 551 Pa. 243, 249 A.2d 23, 27 (1998). The factors to be considered in evaluating an alleged spoliation situation are:

(1) the degree of fault of the party who altered or destroyed the evidence;

(2) the degree of prejudice suffered by the opposing party; and

(3) whether there is a lesser sanction that will avoid substantial unfairness to the opposing party.

Schmid v. Milwaukee Electric Tool Corp., 13 F.3d 76, 79 (3d Cir. 1994); *Schroeder*, 551 Pa. at 251, 710 A.2d at 27. Because Pennsylvania courts are reluctant to exclude spoliated evidence in all but the most severe of cases, exclusion is *considered* only where there is a high degree of fault (i.e. where the spoliating party destroys evidence after litigation has commenced), and the absence of the destroyed evidence is severely prejudicial to the party seeking exclusion. *Schroeder*, 551 Pa. at 250, 710 A.2d at 27.

In the instant case, there is no evidence to support exclusion of the documents in that Wyeth did not breach any duty whatsoever in destroying the documents in question. The documents consisted of irrelevant contents of an entire office of a terminated employee, which were apparently disposed of at a time when there was no litigation pending. Brian Owens described it as a "normal occurrence". [Tr. 2/24/99, p. 21].

The absence of those documents in this litigation could not possibly prejudice Plaintiff's case. Sharon Daly, the witness upon whose testimony Plaintiff's instant claim of spoliation relies, testified that the discarded materials consisted of documents relating

to the products Mr. Tankha had been working on at Wyeth. *See*, Daly at 29. Thus, the discarded documents would not have been the least bit supportive of Plaintiff's argument that the documents belonged to someone else and would somehow be exculpatory. Moreover, Plaintiff acknowledged that his predecessor in the office did not work on Premarin [Tr. 2/24/99, pp. 118, 120] and indeed, finally admitted at trial that the Premarin manufacturing documents in his office were his [Tr. 2/24/99, p. 125]. Clearly, the absence of other documents did not improperly affect Mr. Tankha's ability to explain the appearance of the documents in his office.

Pennsylvania courts have only ordered exclusion of evidence based on spoliation is only ordered where the spoliated evidence is the central focus of the claim in issue, such as the product alleged to have caused an injury. *Santore-Umbelina v. Advanced Data Systems Inc.*, No. 97-5002, 1998 WL 512962, *2 (E.D.Pa. Aug. 7. 1998) ("The spoliation doctrine is unique to product liability [cases]"); *see, Schmid*, 13 F.3d 76 (1994) (doctrine applied to product liability action where alleged defective saw was disassembled by expert witness during the course of examination); *Schroeder*, 551 Pa. 243, 710 A.2d 23 (1998) (doctrine applied in products liability suit for defective design of a truck where truck was destroyed). In the instant case, the spoliation doctrine would only have a remote application if the subject Premarin process documents themselves had been shredded; that was not the case.

Moreover, nothing found in the discarded materials could change the fact that Premarin manufacturing documents were found in Plaintiff's office, tucked in the back of a file drawer and that the documents related to aspects of the process which were not part of Plaintiff's job responsibilities. Plaintiff was free to argue, and did argue, that the materials were not his and that other materials that were there could have established that fact. Plaintiffs ability to so argue established that the third prong of the *Schmid* analysis also weighed against exclusion, since a lesser remedy did avoid substantial unfairness to the Plaintiff.

Furthermore, Plaintiffs contention is spurious in light of the position he took with respect to Defendants' Motion to exclude evidence relating to his business plans. In that Motion, Defendants demonstrated that Plaintiff had intentionally and stubbornly defied

document requests and court orders compelling him to produce documents in his possession relating to the efforts he undertook to manufacture generic Premarin, and that he had selectively produced only those documents which he believed favored his position. As a result of Plaintiff's defiance, a significant number of documents relating to the efforts were destroyed. (See generally, Rabih Skaf hearing and deposition testimony). Plaintiff took the position that exclusion of the produced documents was inappropriate, even though some of the documents had been destroyed and even though the destruction took place more than four (4) years into the lawsuit, after Defendants had propounded their document requests. Although finding that Plaintiff had been less than candid in his testimony and had violated the Court's Orders, the Court only excluded the documents which had not been produced and ruled that the documents which had been produced could be used at trial. *See*, Order dated November 19, 1997. Plaintiff has provided no reason why the same result should not also apply in these circumstances, where Wyeth was not even at fault in discarding the irrelevant documents at a time when no lawsuit was pending.

Plaintiff Tankha next contends that the Court erred by reversing an order of a coordinate jurist who had been reassigned, thereby violating law of the case and limits on coordinate jurisdiction, wrongly denying Plaintiff discovery pertinent to a critical issue both in law and equity, and allowing Defendants to define unilaterally the scope of trade secret privilege for Premarin without a fair opportunity to cross examine their officials and witnesses.

Initially, The Honorable George Koudelis properly authorized the reconsideration of his own Order compelling the production of unredacted documents by Order dated May 13, 1998. As a consequence, neither the law of the case nor any other legal doctrine prohibited the review and reconsideration of the issue by this Court.

Furthermore, the Court was correct in its decision concerning the production of unredacted documents on the merits. Defendant Wyeth established that there was absolutely no need for the production of unredacted versions of the documents found in Plaintiff Tankha's office. The redacted documents were easily

identifiable as various process documents for different aspects of the manufacture of Premarin. In addition, two (2) Wyeth scientists submitted unchallenged affidavits clearly stating that any expert who purported to have the background to examine the documents and compare them to material in the public domain (including expired patents) to determine whether they contained trade secret material could do so unhindered by the redactions. Plaintiff never offered any witness of any kind to state that the redactions posed an impediment to the analysis of the trade secret issue. Moreover, the fact to be tested – whether Wyeth possessed trade secrets to which Plaintiff was given access – was established by Premarin's one-of-a-kind status and Plaintiff's own admission. [Tr. 2/24/99, pp. 11, 50]. As a consequence, Plaintiff suffered no prejudice from production of the documents in redacted form.[7]

Plaintiff next contends that the court erred by refusing to allow Plaintiffs trial counsel to read into evidence, during Plaintiff's case, portions of testimony from the deposition of an out-of-state witness, Michael Maddaloni, Wyeth's former security chief, when other nominal portions of the same deposition had already been introduced into evidence in Plaintiff's case.

The Court's rulings were clearly proper concerning the use of Mr. Maddaloni's deposition testimony. [Tr. 3/1/99, pp. 139-160, 174-177; Tr. 2/23/99, pp. 154-157, 188, 190-192, 195-196]. Plaintiff Tankha was afforded wide latitude in the use of Mr. Maddaloni's deposition testimony, both in his cross-examination of Defendant Hassan and in rebuttal. Very little, if any, evidence was actually excluded. Any of the Maddaloni testimony that the Court did preclude was either not relevant to the issues presented or, if it had relevance, its probative value was far outweighed by the danger of unfair prejudice, confusion of the issues and misleading the Jury. In addition, the testimony would have resulted in the needless presentation of cumulative evidence. Pa. Rules of Evid. 402, 403.

In arguing that the Court must rule that the discovery of the documents in Plaintiff Tankha's office was inconsequential because

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7. Furthermore, the Court concludes that this argument is waived because, at trial, Plaintiff made no objections to the admission of the redacted documents into evidence. [Tr. 2/24/99, pps. 226. 252].

Wyeth security official, Michael Maddaloni, believed that "a lot of people had [the Premarin] process that shouldn't have it in the company", Plaintiff improperly demands that the Court unconditionally accept all aspects of Mr. Maddaloni's deposition testimony and reject the testimony of the live witnesses who testified that that was not a credible explanation for the presence of the secret production documents in Mr. Tankha's office. Questions of credibility and what weight to give to any evidence are exclusively within the discretion of the fact finder. *Morgan v. Richter*, 724 A.2d 983, 985 [Cmwlth.Ct 1999].

Plaintiff further contends that the Court erred by issuing an overbroad permanent "production" injunction which precludes Plaintiff even from making use of an expired federal patent on conjugated estrogen, thus giving Wyeth's asserted trade secrets supremacy over exclusive federal patent law which placed into the public domain forever all contents of the expired patent as an absolute condition for the award of a patent and forever restricting the employability in his field of at will laborer who never contractually agreed to any limit whatsoever on future employment opportunities.

The Court, considering all the evidence, correctly decided that a permanent production injunction was necessary to protect Wyeth's interests in the confidential, proprietary and trade secret information in its Premarin manufacturing process that Plaintiff had learned during his employment. The injunction granted herein is clearly supported by both legal precedent and the record and is narrowly tailored to the requirements of this case. The Pennsylvania law governing breach of contract, misappropriation of trade secrets, and improper procurement of confidential and proprietary information imposes no requirement of proof of actual damages or actual use of trade secrets to a claimant's detriment, for an injunction to issue. To the contrary, in cases involving the threatened improper use of confidential, proprietary and trade secret information, the law allows an injunction to issue when the other elements of any of these causes of action are proven, and the claimant establishes a "sufficient likelihood, or substantial threat" that the defendant will disclose or use the information. *Den-Tal-Ez v. Siemens Capital Corp.*, 389 Pa.Super. 219, 1214 (1989). An

injunction is warranted when the confidential information is inextricably connected to the defendant's proposed employment, or manufacture of a product. *Christopher M's Handpoured Fudge v. Hennon*, 699 A.2d 1272, 1277 (Pa.Super. 1997); *Den-Tal-Ez* 389 Pa.Super. at 254, 566 A.2d at 1232; *Air Products and Chemicals, Inc. v. Johnson*, 296 Pa.Super. 405, 423, 442 A.2d 1114, 1123-24 (1982). Indeed, the very purpose of an injunction in such a case is to prevent damage from accruing.

In the case of *Christopher M's Handpoured Fudge*, 699 A.2d at 1274-77, a permanent injunction banning employment in the manufacture of a particular product – fudge – was granted to protect an employer from the employee's threatened use of the employer's secret recipe

The facts in the instant case are clearly similar to those in the *Christopher M's Fudge* case. Plaintiff Tankha, an employee, repeatedly demonstrated the intention and ability to use his employer's confidential information to make a product to compete with the employees unique product, and the facts establish the employee's inability to make the competing product without use or disclosure of such information Indeed, the Court found that based on the overwhelming evidence, Plaintiff's manufacture of any conjugated estrogens product without using Wyeth's information would be a "virtual impossibility". *See* September 7, 1999 Opinion Conclusions of Law, § § 9, 15. Thus, the Court properly determined that a narrow injunction against disclosure of Wyeth's process would not adequately protect Defendant Wyeth, and that an injunction against Plaintiff Tankha's participation in the manufacture of any estrogen product was necessary.

The evidence established that the Injunction poses no bar to Plaintiff's ability to pursue his livelihood, would not cause him excessive harm, or destroy Tankha's career as a chemical engineer and his right to pursue his chosen occupation by stigmatizing him. Notwithstanding Plaintiff's contentions to the contrary, the trial record is devoid of any evidence of any harm that will accrue to Plaintiff Tankha from the injunction. Plaintiff offered neither any employment expert nor any prospective employer to testify to these terrible effects. Plaintiff did not even attempt to testify about the effects himself.

To the contrary, the record establishes that Plaintiff will suffer no harm at all from the Injunction. The Court cited evidence Mr. Tankha himself gave showing he had held numerous employment positions as a chemical engineer before and since his work at Wyeth more than eight (8) years ago, none of which involved the manufacture of conjugated estrogens. Opinion Findings of Fact at §58; *see also* Defendants' Trial Exhibit 88. The Court further found that Plaintiff Tankha admitted that prior to his Wyeth employment, he had never worked on any conjugated estrogens product. September 7, 1999 Opinion Findings of Fact at §11; *see also, e.g.*, Tr. 2/24/99, pp. 17, 32. Plaintiff has identified his chosen profession as "chemical engineer", a field that encompasses a legion of other products. Indeed, the testimony also established that there are only a few companies which have attempted to engage in the manufacture of a pharmaceutical comprised of naturally occurring conjugated estrogens.

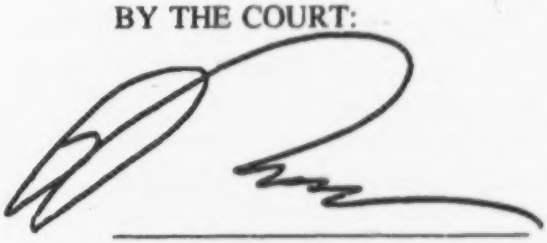
The Court clearly did not err in finding that Plaintiff Tankha continued to be employable as a chemical engineer, and in weighing the respective interests of the parties which would be affected by the issuance or non-issuance of the permanent Injunction. See September 7, 1999 Opinion Findings of Fact §12. There was certainly no basis to find that the impediment to Plaintiff from this Injunction would be any greater than the impediment to the fudge-maker from the injunction in *Christopher M's Handpoured Fudge, supra.*

Plaintiff's argument that federal patent law somehow precludes an injunction against his employment in the manufacture of conjugated estrogens is baseless. The facts presented in *Smith, Kline & French Laboratories v. Clark & Clark*, 157 F.2d 725 (3d Cir. 1946), *cert. denied.* 329 U.S. 796 (1946) and *Boggild v. Kenner Products*, 776 F.2d 1315 (6th Cir. 1985), *cert. denied*, 477 U.S. 908 (1986) cited by Plaintiff are clearly inapposite. Wyeth does not claim the right to an injunction by extension of its patent rights as the patentees in those cases did, since Defendant Wyeth does not even contend that the information Plaintiff has placed at risk was disclosed in any patent. Indeed, Wyeth established at trial the exact opposite: that it neither included the information necessary to manufacture Premarin in any patent, nor was it ever required to do

so. [Tr. 3/l/99 at pp. 80-85, 86-88 (Dey); Tr. 2/24/99 at pp. 231-37 (Boardman); Tr. 3/l/99 at pp. 39-44 (Panitch); *see, also Christianson v. Colt Indus. Operating Corp.*, 870 F.2d 1292, 1303 (7th Cir.) (the scope of an invention can exceed the claim made and disclosed in the patent). *cert. denied*, 493 U.S. 822 (1989); *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544 (Fed. Cir. 1987) ("Patents are not production documents. and nothing in the patent law requires that a patentee must disclose data on how to mass-produce the invented product..."), *vacated other grounds*, 486 U.S. 800 (1988) (vacated on jurisdictional grounds and remanded to Seventh Circuit which substantially adopted the Federal Circuit's reasoning); *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226 (Fed.Cir.) *cert. denied*, 493 U.S. 853 (1989) (rejecting argument that information developed after the issuance of a patent was barred from trade secret status because it was generally disclosed in the patent, or known to the general public or because it merely implemented the patented invention).

For the aforementioned reasons, the Court properly denied Plaintiff's Motion for Post Trial Relief.

BY THE COURT:



KENNETH A. CLOUSE, J.

TEXT OF CONSTITUTIONAL PROVISION

Article VI (Supremacy Clause) provides:

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

TEXT OF STATUTES

35 U.S.C. §112 (re: patents) provides in part:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention....

35 U.S.C. §283 (re: patents) provides:

The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

EXCERPT OF TESTIMONY OF DR. MICHAEL DEY DATED MARCH 1, 1999

* * *

[84]

step of the way?

A. Yes. Yes.

Q. You mentioned, for example, in the coating — just to go to the end of the process, that is was a complex process because you were afraid of degradation. What do you mean by degradation? What does that mean?

A. The active ingredient — the estrogens that are in the product will, over time, degrade to less active ingredients. And so the drugs looses potency. Sometimes degradation can actually lead to impurities that are harmful. So we try to protect against that through a coating process.

Q. And we're thinking of a coating process where — we're probably familiar with a candy like M & M that might have a coating. Is it something more complicated than simply putting some chocolate on top of an M & M?

A. From the consumers point of view it looks pretty simple, but it's a very complicated process. It's an art really.

Q. Okay. Now what percentage of this entire manufacturing process has every been patented?

A. Of this — of the process that we use, actually none of it.

* * *

EXCERPTS OF DEPOSITION OF MICHAEL V. MADDALONI DATED NOVEMBER 11, 1996

* * *

[98]

Michael V. Maddaloni

against that.

Q. Why would you have been against that?

A. I think it's inappropriate.

Q. Well, why do you think it's inappropriate?

A. Because there might have been something in there that we needed to provide later on, if we had conducted an investigation, if somebody was going to be terminated or had been terminated.

Q. Now, in terms of the mandate that you were given by Hassan — or the intention at least was to prosecute criminally Ash Tankha?

A. Right.

Q. And did you discuss the particular charges that would be made against him?

A. No. I told them — I told them I didn't think it was a good idea. I told them I didn't think that any — certainly any federal law enforcement agency would be interested in it. But he told me to pursue it any way.

And as far as the specific charges, no. He wouldn't have mentioned — he wouldn't have known that, I don't think. And

* * *

* * *

[146]

Michael V. Maddaloni

write the thing. I did.

Q. Now, you said at some point that you advised Mr. Hassan and, I believe, it was Ed Adams, that you didn't think the Tankha case had prosecutive value — merit?

A. In my opinion. And I had — I felt I had more expertise in that area than either one of them having been a secret service agent for ten years and presented cases to U.S. attorneys.

Q. And do you remember any of the discussion that followed that when you said that? Was there any debate then at that point once you expressed your opinion about whether you should or shouldn't?

A. Fred Hassan said that Jack Stafford wanted this guy prosecuted and he said we need to make an example of this. Get him prosecuted and get a message out to the employees. That is what he wanted to accomplish. And that is what I tried to do.

Q. Now, you also said that when Mr. Hassan said to you quote, "You keep me out of the this." Close quote. That statement coming in

* * *

QUESTIONS PRESENTED

Did the trial court and Superior Court usurp federal patent law, disregard the Supremacy Clause of the U.S. Constitution and exceed their jurisdiction through a sweeping lifetime injunction that, to protect alleged pharmaceutical "trade secrets," barred a discharged at-will worker for life from using an expired federal patent that federal law unalterably commands must be freely available for use by anyone?

Did the Superior Court err and deny petitioner a fair trial by upholding the trial court's reversal of a prior order by a coordinate jurist and thereby blocking discovery essential to test Wyeth's pervasive assertions of "trade secret" privilege?

Did the Superior Court err and deny petitioner a fair trial in law and equity by allowing Wyeth to create suspicion against petitioner by pointing to three documents it pulled from the file cabinet in petitioner's office, notwithstanding that Wyeth had spoliated all the other documents found with them, thus destroying the true evidentiary context in which the documents were found?

Did the Superior Court err and deny petitioner a fair trial in equity when it adopted specific pejorative findings proposed by Wyeth that matter allegedly containing "trade secrets" had been **"hidden in the back of"** a file drawer in petitioner's office, although the unembellished record shows only that the material was among a large quantity of other papers there that had been accessible to petitioner and others?

Does the most extensive permanent injunction known to have issued in Pennsylvania curtailing an at-will employee's ability to work in his chosen field invade the inalienable right to work guaranteed by both the federal and state Constitutions?

Supreme Court, U.S.
FILED
JAN 25 2002
CLERK

No. 01-911

IN THE

Supreme Court of the United States

ASHOK TANKHA,

Petitioners,

v.

WYETH-AYERST LABORATORIES, INC., A DIVISION OF AMERICAN HOME PRODUCTS CORPORATION AND FRED HASSAN, PRESIDENT OF WYETH-AYERST LABORATORIES, INC. AND MARSAM PHARMACEUTICALS, INC. AND MARVIN SAMSON, PRESIDENT OF MARSAM PHARMACEUTICALS, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE SUPREME COURT OF PENNSYLVANIA

RESPONDENTS' BRIEF IN OPPOSITION

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COUNTER-STATEMENT OF THE CASE

The trial court found that Petitioner made a calculated decision to breach his contractual and common law duties to his employer, Wyeth, by attempting unlawfully to exploit trade secret information entrusted to him relating to its one-of-a-kind product, Premarin. Having conclusively demonstrated Petitioner's intent to employ its trade secrets in his own enterprise, Wyeth was entitled to a remedial injunction tailored to protect its legitimate interests. Petitioner raises no issue of constitutional dimension or patent law that warrants further review of the judgments of the trial court and two appellate courts rejecting his claims and protecting Wyeth against his further unlawful conduct. The scope of the trial court's injunction, necessitated by the gravity of Petitioner's misconduct and the threat he poses to Wyeth's trade secrets, simply does not disrupt the balance struck by this Court between federal patent and state trade secret laws.

A thorough and accurate recitation of the facts is important to this Court's understanding of the context in which the trial court fashioned its decree. The summary that follows is principally based on the trial court's detailed, thorough and unchallenged findings of fact.

A. The Premarin Manufacturing Process Is A Wyeth Trade Secret

Wyeth is the manufacturer of Premarin, a drug used to treat menopausal symptoms and prevent osteoporosis. It is one of today's most-prescribed pharmaceuticals, generating over a billion dollars in annual sales. App. at 10a, ¶1; 11a, ¶4. Premarin's seventeen active ingredients, conjugated estrogens, are extracted from hormones found in the urine of pregnant horses (pregnant mares' urine or "PMU"). App. at 10a, ¶1.

Premarin is not an "off-patent" drug. Wyeth manufactures Premarin using a secret, proprietary process developed and protected from disclosure over the course of more than 50 years. App. at 10a, ¶2. Although expired patents from the 1940's and 50's discuss various laboratory methods of PMU extraction, none reveals

Wyeth's production steps for extraction, or the other 90 percent of the Premarin manufacturing process. *Id.*

The secret, proprietary nature of Wyeth's Premarin manufacturing process is reflected in the marketplace. By contrast with every other "off-patent," top-selling drug such as Tagamet or Valium, not a single FDA-approved generic substitute for Premarin exists, despite the expiration long ago of the patents cited by Petitioner. App. at 11a, ¶4.

It is impossible for a Wyeth outsider to know whether Wyeth actually used the 1947 and 1952 patents, or any others, in its process for manufacturing Premarin. App. at 21a, ¶45. Wyeth's expert, Dr. Michael Dey, testified, and the Court found, that, in any event, the patents cited by Petitioner do not in fact disclose any part of Wyeth's manufacturing process. *Id.*

B. Petitioner Acquires Knowledge Of Wyeth's Trade Secrets

In March 1989, Wyeth hired Petitioner, a chemical engineer (and a licensed patent lawyer), as a "process project engineer" in its engineering group in Radnor, Pennsylvania. App. at 12a, ¶6. Petitioner had no prior experience related to any conjugated estrogens product. App. at 14a, ¶11. Petitioner signed two employment agreements prohibiting competition with Wyeth during employment, and disclosure or use during employment "and thereafter" of "any of the Company's confidential business information and trade secrets, such as . . . processes." App. at –, ^^, , .

Relying on these agreements and Petitioner's trust, Wyeth afforded him access to both Premarin manufacturing process information and the facilities where the Premarin manufacturing steps were performed. Petitioner admitted that all the Premarin manufacturing information he received was confidential and proprietary and should not be disclosed to outsiders. App. at 15a, ¶16. Petitioner also admitted that he learned Wyeth's proprietary, confidential and trade secret process for manufacturing Premarin during his employment. App. at 14a, 15a, ¶¶12, 16.

C. Petitioner's Attempts To Exploit Wyeth's Trade Secrets

Less than two years after being hired, and while still a Wyeth employee, Petitioner devised a plan to launch his own company to manufacture a generic version of Premarin. App. at 15a, ¶17. Petitioner's plan was never to make some unspecified estrogens product using, as he claimed, information "from the expired patent," "public domain information," or his "scientific and engineering education and skill." On the contrary, every step Petitioner took to advance his plan left behind a footprint of his intent to use Wyeth's confidential information to duplicate Premarin.

Petitioner's approach to Marvin Samson, president of generic drug manufacturer Marsam Pharmaceuticals, revealed his intent to directly trade on Wyeth's trade secrets. Samson testified that Petitioner offered him those secrets when proposing that Marsam enter into a venture to manufacture generic Premarin using Wyeth's information. Samson was so offended by the impropriety of Petitioner's proposal that he ended the meeting, and reported Petitioner's activities to Wyeth. App. at 16a, 17a, ¶¶20-23.

Wyeth's subsequent investigation confirmed Petitioner's unlawful intent. Petitioner admitted in an interview with Wyeth's security chief that he had begun plans to produce a generic form of Premarin, and that he had met with Samson to further those plans. App. at 17a, ¶24. Petitioner further admitted at trial that he had told a supervisor and friend that he had indeed offered information on Wyeth's Premarin process to a competitor. App. at 17a, ¶25.

Wyeth's security found more direct evidence of Petitioner's *mala fides*. It found three sets of highly confidential Premarin process documents in a search of a file cabinet drawer in Petitioner's office. App. at 17a, ¶26. These documents contained detailed trade secret production information of various portions of the Premarin manufacturing process performed at two of Wyeth's facilities. *Id.* Petitioner had no job-related, or other legitimate reason, to have them in his office. App. at 19a, ¶33. Petitioner never denied that the documents found in his office belonged to him. App. at 18a, ¶28.

Not surprisingly, Wyeth concluded based on the information from Samson and its investigation that Petitioner had in fact offered its trade secret information to its competitor. Accordingly, Wyeth fired him.

Prompted by the incident and the danger it presented to the welfare of the company, Wyeth's President, Fred Hassan, sent its management-level employees a memorandum advising that "we recently learned that a trade secret for one of our main products was offered to a generic competitor" and asking employees to be vigilant in protecting its intellectual property. The memorandum did not identify Petitioner or the product or state the action taken in response to the incident. R. 347a (Memorandum).[1]

D. Commencement Of This Action Did Not Deter Petitioner From Continuing His Efforts To Trade On Wyeth's Trade Secrets.

Several months later, Petitioner filed this action against Wyeth, its President, Fred Hassan, Marsam and Marvin Samson asserting, *inter alia*, claims for defamation and tortious interference with business relations, focusing on the alleged effect of the memorandum.[2] App. 37a. Wyeth filed a counterclaim, seeking a permanent injunction to prevent Petitioner's use of the confidential, proprietary and trade secret information learned during his employment. App. 9a.

Petitioner's efforts to capitalize on the knowledge he acquired at Wyeth did not stop with his firing or the commencement of his lawsuit. He formed various shell companies dedicated to purifying conjugated estrogens and continued to solicit investors. App. 19a, ¶35. Again, Petitioner's plans relating to these efforts explicitly showed he did not intend to use expired patents to make a "generic conjugated estrogen product," but instead intended to use Wyeth's

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1 "R" refers to the record before the Supreme Court of Pennsylvania.

2 At trial on his claims, Petitioner agreed to a non-suit on all of his claims against Marsam and Samson. Petitioner also voluntarily dismissed all claims against Wyeth and Hassan except the claim for defamation. App. 38a. The jury returned a verdict for those defendants, finding that Petitioner had not been defamed by the memorandum he alleged accused him of the theft of trade secrets and industrial espionage. *Id.*

proprietary information and Wyeth's process to duplicate Premarin. Petitioner addressed the distinction himself in a discussion with a potential finance agent. He specifically told the agent the reason he could make generic Premarin, when no other company had been able to do so, was that the drug was so difficult to make, and that the problem related to understanding the "process," *not* the "patent." App. at 20a, ¶41.

Most telling of all, was Petitioner's activities with potential investor Gufic Ltd. They showed he intended to produce an exact, generic equivalent of the FDA-approved drug, Premarin, *using Wyeth's process*. Petitioner testified at trial that he would never tell anyone he would manufacture a generic version of Premarin using the same process used in the manufacture of Premarin because it would be "unlawful" and "wrong," and would breach his contractual obligations to Wyeth. R. 231a-232a (Testimony of Ashok Tankha). Petitioner, confronted with his own letter, was then forced to admit he had done precisely what he said he would not and could not legally do.

Petitioner's letter was occasioned by Gufic asking him how he proposed to manufacture a generic equivalent of Premarin. Petitioner responded by letter to assure Gufic that his generic version of Premarin would be approved by the FDA, but he did not say he would rely on a patent or patents to make the product. R. 370a-372a (Letter to Gufic); 235a-237a (Testimony of Ashok Tankha). Instead, he boasted in a letter that he never expected to see the light of day:

> [T]he product [my company] will manufacture in 1994, will be identical to Premarin, *using the identical process* and identical raw materials used in the manufacture of Premarin.

App. 20a, ¶39 (emphasis added).

Based on these findings, the trial court concluded that there was a strong likelihood that Petitioner would unlawfully use Wyeth's trade secrets and that he posed a grave threat to the confidential and proprietary information he acquired at Wyeth. App. 23a, ¶57; 25a. ¶8. Accordingly, the Court found that an injunction prohibiting Petitioner from engaging in the business of production

of conjugated estrogens was necessary to protect Wyeth's interests in its trade secrets. App. 46a. Based on the record, the Court also concluded that the injunction posed no obstacle to Petitioner's pursuit of his livelihood. Indeed, the Court found no evidence that Petitioner would suffer any harm from the injunction at all. App. 47a, 48a.

REASONS TO DENY THE PETITION

A. The Petition Contains Misstatements Of The Record That Undermine Petitioner's Argument For A Writ

1. Premarin Is Not An Off-Patent Drug

The fundamental factual premise of Petitioner's argument for a writ is echoed repeatedly throughout his Petition: (1) "...Wyeth once held patents for conjugated estrogens (trade name 'Premarin')" Pet. at 7; (2) "In the 1940's and 1950's. . .Wyeth obtained patents for the manufacture of conjugated estrogens (trade name 'Premarin')" Pet. at 7; (3) "The evidence at trial showed that in the late 1940's and early 1950's Wyeth obtained patents for making conjugated estrogens marketed under the brand name Premarin." Pet. at 4. From this foundation, the argument proceeds to raise an alleged conflict between: (a) the Patent Act's dedication of the disclosures in the so-called "Premarin Patents" to the public; and (b) the scope of the trial judge's injunction necessary to protect Wyeth's trade secrets against further unlawful exploitation by Petitioner. In that regard, reference is made to the state court's ruling that purportedly "afforded Wyeth all of the *benefits* of the patent bargain Wyeth struck with the public under federal law when it enjoyed a patent monopoly for its once fledgling product." Pet. at 12 (emphasis in original).

Petitioner's entire argument is constructed on this non-existent foundation — the fiction that Wyeth's Premarin manufacturing process was once fully disclosed in patents.[3]

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3 Petitioner's second question presented for review rests squarely, indeed entirely, on this false premise. This question also provides no basis for granting the Petition because: (1) the premise is wholly unsupported by the record; (2) there was no objection to the questioned testimony at trial; (3) the question was not

The trial court found the exact opposite to be true in its second finding of fact:

> The Court finds: ... that Wyeth manufactures Premarin using a proprietary and secret formula or process that it and its predecessor companies have developed over the course of more than fifty (50) years; that although several expired patents dated in the 1940's and 1950's set forth various methods of extracting estrogens from PMU, none identifies the process Wyeth uses to perform either its extraction functions or the hundreds of other steps that comprise the remaining ninety (90%) percent of Wyeth's Premarin manufacturing process; and that although the patents set forth a method of obtaining a substance containing estrogens, none identifies a process for duplicating Premarin, or even any part of Wyeth's Premarin manufacturing process.

App. 10a,¶2.

The Court also found:

> . . .that clearly, all information about the Premarin process was not disclosed in the expired patents, and that Plaintiffs testimony to the contrary was not credible.

App. 21a ¶44.

> . . .Dr. Dey [was] credible when he testified that the 1947 and 1952 patents, in fact, do not disclose any part of Wyeth's process for making Premarin.

App. 21a ¶46

In short, the evidence at trial completely debunked Petitioner's claim that Premarin is an "off-patent" drug. It unequivocally established that Wyeth's manufacturing processes for Premarin, from urine collection and conjugated estrogens extraction through purification, blending and tableting was never disclosed in any

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raised and preserved in the state court appeal (See App. at 6a-8a.); and (4) the argument in support of it in the Petition is nearly nonexistent, falling far short of this Court's requirement of a "direct and concise argument amplifying the reasons relied on for allowance of the writ." Supreme Court Rule 14.1(h).

patent, nor was there any obligation to do so. App. 21a. ¶45. Thus, although certain patents taught different methods to extract estrogens on a laboratory scale, none identified a process for duplicating Premarin or any part of Wyeth's complex manufacturing process. *Id.*

Petitioner's argument that the Premarin manufacturing process, as purported to be revealed in patents, is in the public domain is completely contradicted by the record. Therefore, the argument that a state court cannot enjoin Petitioner from making conjugated estrogens using Wyeth's process, because that process has already been dedicated to the public, is without merit and raises no issue of federal law.

2. Patent Law Did Not Require Wyeth To Disclose Its Proprietary Manufacturing Process

Petitioner tries to avoid the settled findings of the trial court and independently establish a factual predicate for his argument by urging that the patents must have disclosed the entire process for the manufacture of Premarin because that is what the patent law requires. Pet. at 7. This interpretation of the law is simply wrong.

Patent law does not prevent the patent holder from improving on, or changing, a process disclosed in a patent. It also does not require the patentee of a process to disclose the means of mass producing a product or producing it in the most cost-efficient way. Additionally the law allows a company to obtain patent protection for only a fraction of an entire process, and retain the balance of the manufacturing processes as trade secrets. *See Christianson v. Colt Indus. Operating Corp.*, 870 F.2d 1292, 1303 (7th Cir.) (the scope of an invention can exceed the claim made and disclosed in the patent), *cert. denied*, 493 U.S. 822 (1989); *Christianson v. Colt Indus. Operating Corp.*, 822 F.2d 1544 (Fed. Cir. 1987) ("Patents are not production documents, and nothing in the patent law requires that a patentee must disclose data on how to mass-produce the invented product..."), *vacated on other grounds*, 486 U.S. 800 (1988) (vacated on jurisdictional grounds and remanded to Seventh Circuit which substantially adopted the Federal Circuit's reasoning); *Richardson v. Suzuki Motor Co.*, 868 F. 2d 1226 (Fed. Cir.), *cert. denied*, 493 U.S. 853 (1989) (rejecting argument that

information developed after the issuance of a patent was barred from trade secret status because it was generally disclosed in the patent, or known to the general public or because it merely implemented the patented invention).

As a consequence, Wyeth's continued improvements to its extraction process over more than 50 years, the design and maintenance of its large scale production facilities and mass manufacturing steps, as well as its processes related to collection, purification blending and tableting of Premarin have, quite properly, never been the subject of patents. Instead, Wyeth elected to protect these elements of its manufacturing process under state trade secret law.

Wyeth has never claimed the right to an injunction by extension of its patent rights. Instead, Wyeth contended, and established at trial, that the information Tankha placed at risk was not disclosed in any patent. Because federal patent law is not implicated by Tankha's malfeasance, the trial court properly issued an injunction which was adequate to protect Wyeth's state law-protected trade secret rights and which could be enforced with reasonable certainty.

As the Pennsylvania Superior Court and Supreme Court's affirmance of the trial court's injunction does no more than adequately protect Wyeth's state law created trade secret rights while offending neither the patent laws nor the Supremacy Clause of United States Constitution there is no basis for this Court to grant the Petition.

B. No Important Question Of Federal Law Is Raised By The Petition

1. The Trial Court's Injunction Does Not Disrupt the Balance Between Federal Patent and State Trade Secret Laws.

The production injunction prohibits Petitioner from engaging in the business of the manufacture of conjugated estrogens. The incidental consequence of that decree is that it necessarily restricts his ability to practice certain expired patents. That, by itself, does not raise a serious conflict with federal law. Petitioner's transparent

attempt to create an issue worthy of writ consideration from the issuance of the injunction rests on an imagined bright line between the enforcement of state trade secret law and the preemptive scope of federal patent law. His argument fails to acknowledge that each has been recognized by this Court to have its place in protecting legitimate property interests.

This Court has been sensitive to the states' ability to protect its citizens through the laws of unfair competition and trade secret even in areas that may impinge on federal patent rights. In order to accommodate the potential tension between federal and state law, this Court has, however, required that there be some additional compelling state law interest, whether arising from consumer confusion or, like here, a breach of trust or secrecy. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167 (1989). The protection of trade secrets and the prevention of industrial espionage have long been recognized by this Court as important state interests which require a level of accommodation under the Supremacy Clause.

As this Court stated in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974):

> . . . state protection of trade secrets, as applied to both patentable and unpatentable subject matter, did not conflict with the federal patent laws. In both situations, state protection was not aimed exclusively at the promotion of invention itself, and the state restrictions on the use of unpatented ideas were limited to those necessary to promote goals outside the contemplation of the federal patent scheme. Both the law of unfair competition and state trade secret law have coexisted harmoniously with federal patent protection for almost 200 years, and Congress has given no indication that their operation is inconsistent with the operation of the federal patent laws.

Bonito Boats, 489 U.S. at 165-66 (describing the recognition of the balance between patent and trade secret laws struck in *Kewanee Oil*).

Nonetheless, Petitioner argues that the states' interest in protecting trade secrets is wholly subservient and must always give

way to patent law and policy. The Supremacy Clause, Petitioner further asserts, cannot accommodate any other result. There are few such absolutes in the law.[4] The potential conflict between federal patent law and state trade secret law suggested by Petitioner does not present an occasion for so rigid an approach. Such a black and white resolution of the tension between federal and state intellectual property interests has been directly rejected by this Court.

> Nothing in the patent law requires that States refrain from action to prevent industrial espionage. In addition to the increased costs for protection from burglary, wire-tapping, bribery, and other means used to misappropriate trade secrets, there is the inevitable cost to the basic decency of society when one firm steals from another. A most fundamental human right, that of privacy, is threatened when industrial espionage is condoned or is made profitable; the state interest in denying profit to such illegal ventures is unchallengeable.

Kewanee Oil Co., 416 U.S. at 487 (footnote omitted).

Moreover, this Court has repudiated the interpretation of its decisions that states are "completely disabled from offering any form of protection to articles or processes which fall within the broad scope of patentable subject matter". *Bonito Boats*, 489 U.S. at 154. There is simply no blanket patent law preemption of state law remedies for the protection of state recognized rights which might potentially implicate patentable subject matter. *Id.; cf. Analogic Corp. v. Data Translation, Inc.*, 371 Mass. 643; 358 N.E.2d 804 (1976) (no pre-emption by federal patent policy when state court enjoins defendants from making and selling an article which can be readily duplicated by reverse engineering but was the product of misappropriation).

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4 "The case for federal pre-emption is particularly weak where Congress has indicated its awareness of the operation of state law in a field of federal interest, and has nonetheless decided to "'stand by both concepts and to tolerate whatever tension there [is] between them.'" *Bonito Boats*, 489 U.S. at 166-67 (quoting *Silkwood v. Kerr-McGree Corp.*, 464 U.S. 238, 256 (1984)).

2. The Injunction Has No Far Reaching Impact On The Patent System

This Court has also been careful to note that the nature and extent of the state law protection of rights which may fall within the ambit of patent law is an important component of the preemption analysis. *Id.* at 155. In *Bonito Boats*, the Florida statute at issue substantially interfered with and contravened federal patent policy by reducing competitive incentive. In addition, the prospect of all fifty states establishing similar protections for preferred industries could have posed a "substantial threat to the patent system's ability to accomplish its mission of promoting progress in the useful arts". *Id.* at 161. The Florida statute at issue in *Bonito Boats* also threatened to erode one of the fundamental purposes of the Patent and Copyright Clauses of the Constitution, "to promote national uniformity in the realm of intellectual property". *Id.* at 162. The order of injunction at issue here poses no similar threat to the foundation of the patent system nor will it have the potential effect of undermining uniformity or federal patent policy. Such a fact driven, episodic remedy is simply not of constitutional dimension.

Finally, if Petitioner's contorted reasoning were to prevail, the patent law would have the insidious effect of virtually eliminating a state's ability to protect confidential technical information or to prevent industrial espionage. Any defendant in a matter involving trade secrets or confidential and proprietary technical information could simply search the patent office records for an expired patent related to some aspect of the disputed product or process. Citing to the patent, the defendant could claim an unfettered federal right to continue work on the misappropriated product or process, regardless of his or her contractual obligations or tortious conduct. This is neither the function of patent law nor of the Supremacy Clause and would be wholly inconsistent with this Court's holdings and rationale in *Kewanee Oil* and *Bonito Boats*.

The occasions for the issuance of an injunction like the one issued by the trial court here are few. As recognized in the Restatement (Third) of Unfair Competition, only "if there is a substantial risk of disclosure, an injunction...prohibiting participation in a particular project that presents a special risk of disclosure

may be appropriate." Restatement (Third) of Unfair Competition §44, cmt. c (1995); *see also, Monovis, Inc. v. Aquino*, 905 F. Supp. 1205 (W.D.N.Y. 1994) (production injunction appropriate where defendants could not be relied upon to not use or disclose plaintiffs' trade secrets); *Christopher M's Handpoured Fudge v. Hennon*, 699 A.2d 1272 (Pa. Super. 1997) (a "production injunction," preventing manufacture of a product, rather than a "use injunction," preventing an employee from using trade secrets, is warranted when a trade secret is inextricably connected to the manufacture of the product and the employee cannot be relied upon to not use the misappropriated technology.). It was precisely the extraordinary nature of Petitioner's actions as determined by the trial court that required the special relief granted. The trial court prohibited Petitioner from engaging in the production of conjugated estrogens only after making explicit findings that: (1) there was a "virtual impossibility" that Petitioner "could manufacture any conjugated estrogens product without using the secret, confidential and proprietary information obtained from Defendant Wyeth..." App. 28a, ¶15; (2) Petitioner "has expressly stated his intent to use his employer's exact process and has demonstrated his inability to proceed without using information he acquired during his employment." App. 33a, ¶32; and that (3) Petitioner's use of Wyeth's confidential information for his own personal advantage "is inevitable if [Petitioner] is permitted to engage, directly or indirectly, in the business of manufacturing any conjugated estrogens product..." App. 34a, ¶33.

Thus, the cumulative and damning evidence of Petitioner's deceit and attempted exploitation of Wyeth's trade secrets — while purportedly engaged in an endeavor based solely on expired patents — required that the scope of the injunction be sufficiently broad to effectively prevent him from trading on his knowledge of Wyeth's secret process. The trial and appellate courts' decisions were correct. The order at issue is not in conflict with the decisions of this, or any other court, and the injunction at issue is sui generis. For these and the other reasons presented, there is no question meriting review presented by the Petition.

CONCLUSION

The Petitioner presents no important conflict between federal patent law and a state court's recognized right to protect trade secrets pursuant to state trade secret law. The Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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Supreme Court, U.S.
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(3)

No. 01-911

In The

Supreme Court of the United States

ASHOK TANKHA,

Petitioner,

v.

WYETH-AYERST LABORATORIES, INC., A DIVISION OF AMERICAN HOME PRODUCTS CORPORATION and FRED HASSAN, PRESIDENT OF WYETH-AYERST LABORATORIES, INC., and MARSAM PHARMACEUTICALS, INC., and MARVIN SAMSON, PRESIDENT OF MARSAM PHARMACEUTICALS, INC.,

Respondents.

On Petition For Writ Of Certiorari To The Supreme Court Of Pennsylvania

REPLY BRIEF OF PETITIONER

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4 pp

Respondent Wyeth's Brief in Opposition claims that the current manufacture of Premarin, its premier conjugated estrogen pharmaceutical, is essentially unrelated to any of the expired federal patents for conjugated estrogen. Brief in Opp. at 6-9. Nevertheless, Wyeth obtained a state court decree that prohibits use of those expired patents and it now concedes to this Court that "[t]he incidental consequence of that [state court] decree is that it necessarily restricts his [Petitioner's] ability to practice certain expired patents." *Id.* at 9. Obviously the expired patents are not totally unrelated.

Wyeth's assertions underscore a serious threat to federal patent hegemony, especially in the socially important realm of generic pharmaceuticals. Its acknowledgment that there was some encroachment by the state court decree upon the free use of expired patents confirms the high public importance of the issue presented by the Petition.

Petitioner submits that Wyeth, a former patent owner, must not be allowed to seek or obtain in state court any injunctive decree that restricts the federal right to use an expired patent. To allow former patent owners to pursue such decrees in state court would erode the federal right conferred upon society to make the product disclosed by the expired patent and would invite extensions of the patent monopoly under the rubric of "trade secrets." Allowing state courts, who are generally lacking in patent expertise and jurisdiction, to determine whether and when federal patent law may be sacrificed for the sake of inevitably variable "trade secret" interests runs against the overwhelming course of this Court's precedents.

Wyeth also makes copious reference to the fact-findings that Wyeth proposed and won from the state trial court to the effect that Petitioner posed a risk of revealing trade secrets and not limiting himself to the manufacture of generic drugs identical to what was disclosed in expired patents.[1] These bench findings, however, are not only irrelevant to the issue of federal patent supremacy, they are inherently unreliable because they beg the central question whether Petitioner possessed a federal right to use the expired patents free of any state law restriction. Petitioner submits that the state court's findings were premised in part on a misapprehension of his federal rights. The circumstantial evidence of Petitioner's conduct, briefly alluded to in the Petition, would appear in an entirely different light if his federal right to use expired patents were honored rather than viewed suspiciously by a forum more experienced in trade secret protection than protection of patent policy.

This Petition presents a compelling opportunity to address whether the owner of an expired pharmaceutical patent may actively seek and obtain in state court an injunction curtailing another's use of that patent long

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[1] The evidence used to support these inferences was presented by Wyeth substantially through its officials and in-house experts. Wyeth had also won from the state trial judge a reprieve from producing documents that would have assisted Petitioner in testing the true scope of the alleged trade secrets. Other issues, such as Wyeth's shredding of some documents it found in the office used by Petitioner, were decided in state court against Petitioner and are discussed in the trial court's Opinion beginning at 37a. Such were the vagaries of the state forum litigation. Only the federal patent issue, however, need be addressed by this Honorable Court.

after the patent monopoly has been enjoyed and exhausted.

WHEREFORE, Petitioner respectfully requests that this Honorable Court grant Petitioner a writ of certiorari to the Supreme Court of Pennsylvania.

Respectfully submitted,

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